Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada .... C$1.00	Japan Y600	Spain Pta145
Cyprus .... C£0.90	Jordan ...... Fils 500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait ..... Fils 500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan .... NT$65
France FFr6.50	Malaysia ... Rin4.25	Thailand Bt50
Germany ... DM2.30	Mexico Ps300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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TOKYO THREAT
Winds of scandal buffet Japan
Page 15

World News

Pinochet says exiles may return to Chile

Chile's President Augusto Pinochet said that he was allowing all Chilean exiles, officially numbered at about 800, to return home.

This would cover leaders of the elected Marxist Government of President Salvador Allende, toppled in the 1973 coup, including Ms Hortensia Bussi, Allende's wife, and Mr Luis Corvalan, the head of the Chilean Communist Party.

Pravda admission

Soviet Communist Party newspaper Pravda called for an overhaul of the country's food industry, reporting shortages and admitting that official consumption figures had been falsified. Page 2

Namibia hotel bomb

A bomb ripped through the multi-racial Continental Hotel in Windhoek, the Namibian capital, killing two people and injuring 14.

Survivors' ordeal

Survivors of a Delta Air Lines jet which crashed during take-off on Wednesday, killing 13 people, resumed their journey but only after an aborted take-off in an identical Boeing 727 with the same flight number.

Bangladesh floods

Millions of Bangladeshis are stranded by floods that have killed at least 350 and many may die from hunger or disease unless foreign assistance arrives soon. Page 4

Mandela moved

South African nationalist leader Nelson Mandela was discharged from hospital and moved to a clinic. Page 6

US condemns attack

The US condemned a bombing attack on Pakistan by aircraft from Afghanistan as a violation of the Geneva peace accords. One man was killed and at least 15 injured in the attack near Peshawar.

Burma chief stays

President Maung Maung of Burma rejected calls for the ruling party to relinquish power and set up an interim government before democratic elections. Page 4

Burundi killings

Tribal killings in Burundi are spreading to all parts of the central African state, representatives of Burundi's Hutu population said.

Papandreou surgery

Mr Andreas Papandreou, Greece's Socialist Prime Minister, will undergo surgery in London for a heart condition, the Greek Embassy in the UK said. Page 2

Soviet radar offer

The Soviet Union would dismantle a disputed radar complex in Siberia if the US agreed to extend the ABM treaty from nine to 10 years, said Mr Viktor Karpov, chief Soviet arms negotiator.

Malay judge quits

The chairman of a Malaysian royal tribunal investigating charges of misconduct against five suspended court judges disqualified himself. Page 6

Strikers rescue chief

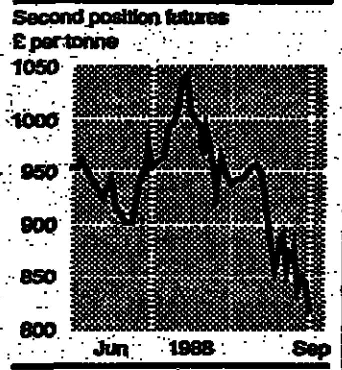
Strikers at a Budapest optical plant have forced the reinstatement of their deposed director in the latest of a series of unprecedented work stoppages in Hungary. Page 2

Business Summary

US refuses to lift tariffs on Japanese products

WASHINGTON has refused to lift punitive tariffs imposed last year against selected Japanese products in retaliation for alleged Japanese breaches of the 1986 US Japanese Semiconductor Trade Agreement. Page 16

COCOA'S downward spiral on the London futures market took another turn as bearish factors piled up ahead of next week's crucial council meeting of the International Cocoa Organisation in London. The December delivery position fell £32 to a seven-year low of £816 a tonne. Page 34



GOODMAN Fielder Wattie, the Australasian food group, put an official "for sale" sign over its 29.99 per cent stake in UK food company Ranks Hovis McDougall. Page 17

CADBURY SCHWEPPES, UK confectionery and soft drinks group, pleased City of London with pre-tax profits of £81.7m for the half year, an increase of 28.5 per cent on same period last year. Page 17

LIBERTY LIFE, South African insurance group, is to relinquish direct control of its foreign interests by hiving them off to First Union General Investment Trust (Fugit), a separately-quoted subsidiary. Page 17

PERNOD-RICARD, French drinks group, increased to 2.8 per cent its stake in Irish Distillers, which is the subject of a hostile I£235m ($211m) bid from Grand Metropolitan of Britain. Page 17

JOHN ROBB, managing director of the Beecham group since the boardroom coup of November 1985, resigned. Page 17

TEXACO, the US oil group which is planning to sell its 78 per cent interest in Texaco Canada, says it will only consider offers which also satisfy the public shareholders who own the remaining 22 per cent. Page 18

CANON, Japanese camera and office equipment maker, reports higher first-half consolidated profits growth than the parent company results published two weeks ago. Consolidated net income was Y15.9bn ($115.5m). Page 20

FRENCH Government sold FFr5.1bn ($800m) of bonds at its first monthly auction since the recent round of European interest rate rises, which the Bank of France was forced to join. Page 20

PWS Holdings, a troubled medium-sized Lloyd's of London insurance broker, suffered a further blow with the resignation of its chairman, Mr Ron Peet. Page 17

EMBRAER, Brazil's state-owned aircraft manufacturer, wants foreign suppliers of components to invest in the company, as part of a $50m foreign financing currently being negotiated. Page 18

ESAB of Sweden, world's leading manufacturer of welding equipment, reported a 36 per cent rise in profits (after financial items) to SKr152m ($23.5m) in first six months from SKr112m a year ago. Page 19

UN chief says Gulf peace talks are stalled by distrust

By Andrew Gowers, Middle East Editor, in Geneva

UNITED NATIONS talks on ending the Iran-Iraq war fell into disarray yesterday as Mr Javier Perez de Cuellar, the UN Secretary-General, passed responsibility for the negotiations to a special representative and blamed lack of trust between the parties for a complete lack of progress.

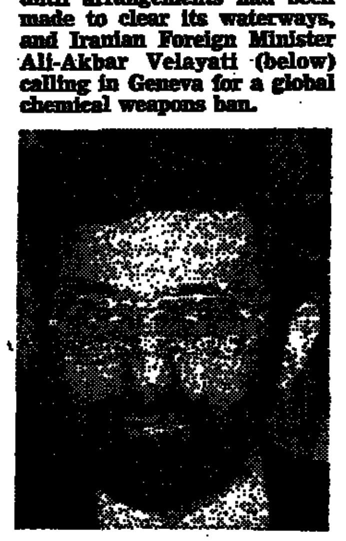
Before leaving Geneva for Lisbon where he was due last night on a private visit, Mr Javier Perez de Cuellar, edgy and exhausted, said he had found only two areas of agreement between the Iranian and Iraqi foreign ministers in a week of negotiations. These were that Geneva should be their meeting place and that Mr Jan Eliasson, Swedish ambassador to the UN, should be appointed to continue mediating between them.

He suggested that the negotiations were likely to take years, comparing them with the protracted talks on securing a Soviet withdrawal from Afghanistan.

"It is impossible to build on the basis of distrust," he said with feeling. "Distrust is sand, and you cannot build on sand."

Mr Perez de Cuellar insisted his departure did not mean that the negotiations had completely broken down or that Iran and Iraq would go back to war. Mr Tariq Aziz, Iraq's Foreign Minister, and Mr Ali Akbar Velayati, his Iranian counterpart, both plan to stay in Geneva for the time being, although they have not met face to face since last Friday.

The lack of progress represents a considerable setback for the UN in its efforts to build on the fortnight-old Gulf ceasefire. When he embarked on the negotiations, Mr Perez de Cuellar had hoped at least to secure a timetable for the withdrawal of troops behind the international frontier and the exchange of prisoners of war.



Iraqi Junior Foreign Minister Saadoun Hammadi saying in Paris yesterday that Iraq would not discuss withdrawals until arrangements had been made to clear its waterways, and Iranian Foreign Minister Ali-Akbar Velayati (below) calling in Geneva for a global chemical weapons ban.

Without agreement, hundreds of thousands of troops will continue to confront each other along the border and both sides will continue to issue ominous warnings, as have Iranian leaders in recent days, that the eight-year Gulf war is by no means over.

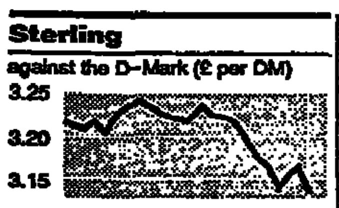
Diplomats put the blame for yesterday's failure squarely on Iraq, which by pursuing a hard line has caused Iran to drop earlier signs of flexibility. Mr Aziz, concerned that Iran has already benefited from the truce by resuming normal use of its Gulf ports while Iraq remains to all intents landlocked, wants Iran to stop searching Iraqi shipping in the Gulf.

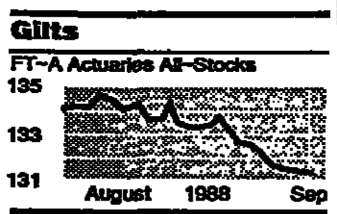
Iraqi officials say Baghdad is also anxious to obtain cast-iron assurances that Iran will not hold up an eventual operation to clear the disputed Shatt al-Arab waterway while the disagreement between the two countries over where their southern border should be drawn is resolved.

Mr Velayati argues that international law gives Iran the right to search shipping while a formal state of belligerency exists and that the Shatt cannot be cleared while the dispute over sovereignty continues.

UN officials said Mr Perez de Cuellar was unlikely to return to the negotiations this weekend. Diplomats added that there was no chance of further action by the UN Security Council.

Under Mr Eliasson the talks are likely to have a lower political profile. The new mediator knows the Iran-Iraq conflict well, having been a senior aide to the late Swedish Prime Minister Olof Palme, who acted as UN special representative on the war in the early 1980s.





Sterling fall leads to Bank intervention

By Simon Holberton, Economics Staff

THE BANK of England intervened in the London foreign exchange market late yesterday after sterling faced a bout of heavy selling and fell sharply.

The initial intervention in London was successful in partially reversing the pound's losses – it fell more than 3 pfennigs and 1¼ cents in the space of two hours' active trading – but sterling continued to slip in New York.

By midsession in New York the pound was trading at around DM3.1250 and $1.6670. In London, on Wednesday the pound closed at DM3.1625 and $1.6840.

The suddenness of sterling's fall took dealers and analysts by surprise, but sterling had been seen as being vulnerable to selling since last Thursday's trade figures.

The pound's steep fall unsettled the UK Government bond market where yields on long-dated gilt-edged securities closed above 10 per cent. It afforded little comfort to the equity market already nervous after a steep fall in Tokyo share prices and a poor opening on Wall Street.

The FT-SE 100 Share Index closed 23.1 lower at 1,730.5 and the FT Ordinary Share Index closed 17.8 lower at 1,391.6. By mid-session in New York, the Dow Jones Industrial Average was 28.63 lower at 2,003.02.

UK financial markets were further unsettled yesterday by analysts' forecasts for the growth in M0, the narrow measure of money which the Treasury targets, in August. The Treasury's target of 1 per cent to 5 per cent annual growth has been exceeded every month this financial year.

M0 measures mostly notes and coins in circulation and details on the largest component of that, bank notes, are available from the Bank

Unctad urges Third World debt write-off

By William Dullforce in Geneva

COMMERCIAL BANKS should write off 30 per cent of the debt owed to them by the world's 15 most heavily indebted countries, the United Nations Conference on Trade and Development proposes in its annual report published today.

Unctad, a forum for dialogue between the Third World and the industrialised nations and long regarded as one of the most radical of the international organisations, is the first such group to call for sweeping debt relief on this scale.

Mr Kenneth Dadzie, Unctad secretary-general, says that without a significant scaling down of creditors' claims it will be impossible for the banks' main debtors to break out of their vicious circle of over-indebtedness and stagnation.

The risk to the international banking system of defaults has increased rather than lessened since Mr James Baker, US Treasury Secretary, launched the industrial nations' new debt strategy in 1985, the Unctad report claims.

The 15 most heavily indebted countries are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Ivory Coast, Mexico, Morocco, Nigeria, Peru, the Philippines, Uruguay, Venezuela and Yugoslavia.

While the Baker plan has prevented a breakdown in relations between creditors and debtors and protected the international banking system, it has yielded no improvement in the main debt indicators, Unctad charges.

With secondary market prices for developing country debt showing steeply rising discounts, the market's own evaluation is that the risks of default are high, Unctad argues.

Even the debt of countries such as Argentina, Brazil and Mexico, claimed to be fully solvent, is selling for less than half its face value.

A concerted, once-for-all reduction of the debt is now needed to release foreign exchange and allow developing country imports, investment and output to be raised permanently to higher levels, Unctad says.

It considers a 30 per cent cut in commercial bank debt to be the minimum necessary to enable the 15 countries to break out of their foreign exchange constraints.

The commercial banks have greatly reduced their exposure rates and increased their provisions. They were now in a position – with the help of bank regulators – to absorb the debt relief required, Mr Dadzie said.

The debt reduction would be complemented by fresh lending from multilateral agencies. New "mechanisms" would link more directly the debt relief with the developing countries' own growth and adjustment efforts.

Unctad recognises that its proposal calls for a fundamental change in perceptions by commercial bankers, who fear they could be pushed down a slippery slope of repeated concessions if they allow the sanctity of contractual commitments to be breached.

The UN organisation argues, however, that a debt reduction would reduce the credit risk on the remaining debt and raise prices on secondary markets.

If US banks were to cancel 30 per cent of their claims on the 15 countries, they would collectively lose about 24 per cent of their total developing country portfolio – less than the average 25-30 per cent level of provisions for their Third World loans, Unctad points out.

Second UK envoy to visit Iran

By Edward Mortimer in London

A SECOND British diplomat is to visit Iran later this month, following last month's visit by Mr David Reddaway, which was judged in Whitehall to have been "encouraging."

This time it will be a commercial officer, whose main role, ostensibly, will be to assist British businessmen attending the Tehran International Trade Fair to be held from September 18 to 23.

About 50 British companies will be represented at the Trade Fair, which reflects the strong British interest in resuming ties with a country which had been a very significant market for British goods and services. Tehran is now seeking equipment, expertise and technology from a wide range of countries as it embarks on a phase of postwar reconstruction.

In the race to secure some of these contracts, British companies are in danger of being handicapped by the absence of British government representation in Tehran, in marked contrast to other West European countries. France, like Britain, had effectively severed relations with Iran last year when French and British diplomats in Iran suffered reprisals for action taken in France and Britain against Iranians who claimed diplomatic privilege

Continued on Page 16

EC farm policy attacked

RADICAL REFORM of the European Community's Common Agricultural Policy (CAP) is called for by Britain's National Consumer Council, a government-appointed consumer organisation, reports Our Agriculture Correspondent.

The council, in a report commissioned by the Government in late 1986, envisages a return to free trade, with farmers being compensated where necessary through direct income aid.

It seeks an end to supported commodity prices and to protective import duties applied to many non-EC farm products, and calls for more integrated rural development, more environmentally friendly farming and the formation of longer-term plans for farm reform.

However, it concludes that fundamental CAP reform is not possible without fundamental reform of Community decision-making.

Analysis, Page 10; Editorial comment, Page 14

BP to spread mining risks by floating 15% of gold arm

By Kenneth Gooding, Mining Correspondent, in London

BRITISH PETROLEUM is to float 15 per cent of its gold mining subsidiary on the New York Stock Exchange later this month on terms which value the whole company at more than $1.2bn.

Most of the oil group's gold mining assets have been injected into BP Gold, which this year will produce about 385,000 troy ounces of gold.

BP is to offer 11.25m BP Gold shares at between $16 and $18 each. Half the shares have been reserved for North America and the rest will be sold outside that region.

The group sees the move not as part of its current asset disposal programme to reduce debt but as a typical minerals industry action to spread some of the risks that mining involves.

At the same time, it should draw investors' attention to the value of BP Minerals International, which brings together the group's mineral interests apart from oil, coal and gas.

BP Gold has proven and probable reserves containing 23.6m troy ounces of gold which it believes are the second-largest known reserves in the North American industry after Newmont Gold. Newmont has declared reserves of 30m ounces and currently has a market value of about $4.5bn.

BP Gold's portfolio includes the gold from the group's Bingham Canyon copper mine in Utah. Its sister company, BP Minerals America, will continue to own Bingham Canyon but will sell mineral to BP Gold at $196 an ounce in the case of refined bullion or $193 an ounce for gold contained in other materials. That compares with the present market price of the precious metal of about $430 an ounce. These prices will be indexed to increases in the US Producer Price Index from October 1988.

The BP group interests in three producing gold mines and three development projects in the US are also owned by BP Gold but mines in South Africa and Canada are excluded.

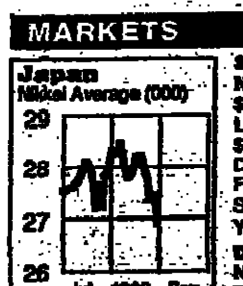
The potential jewel in BP Gold's crown and a mine which could catapult the company into the first division of world gold producers is Lihir Island in Papua New Guinea.

BP says in its draft prospectus that Lihir could be producing 685,000 ounces of gold a year by 1993, of which 20 per cent would probably be owned by the PNG Government. This would take BP Gold's total annual output to over 1m ounces.

It stresses, however, that there can be no assurance that it will decide to proceed with the Lihir project and that a $60m feasibility study will not be completed until next year.

Salomon Brothers is sole manager of the US underwriting group for the issue. Elsewhere in the world, N. M. Rothschild is lead manager with Salomon as co-lead.

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 8⅛ (8$\frac{1}{16}$)
3-mth Treasury Bills: yield: 7.498 (7.5)
Long Bond: 98⅛ (98½)
yield: 9.303 (9.3)
London
3-month Interbank: close 12⅛ (12$\frac{3}{16}$)

STERLING
New York close:
$1.6690 (1.6845)
London:
$1.6735 (1.684)
DM3.135 (3.1625)
FFr10.66 (10.74)
SFr2.6475 (2.67)
Y228.25 (229.75)

DOLLAR
New York close:
DM1.8730 (1.8775)
FFr6.3670 (6.373)
SFr1.5790 (1.5845)
Y136.32 (136.5)
London:
DM1.874 (1.8775)
FFr6.37 (6.3775)
SFr1.5815 (1.585)
Y136.4 (136.5)

GOLD
New York close:
Comex Dec
$438.7 (439.9)

STOCK INDICES
New York close:
Dow Jones Ind. Av.
2,002.31 (-29.34)
S&P Comp
258.52 (-3.0)
London:
FT-SE 100
1,730.5 (-23.1)
World:
121.56 (Wed)
Tokyo
Nikkei Av.
26,934.26 (-431.69)
Frankfurt
Commerzbank
1,454.5 (-18.8)

OIL
Brent 15-day (Argus)
$14.255 (-0.27)
West Tex Crude
$15.125 (-0.2)

CONTENTS

Yassir Arafat faces a testing time over PLO's future

The PLO chairman has embarked on a flurry of diplomatic action to seek support for a provisional Palestine government. He faces significant obstacles as well as scepticism in both Western and Arab circles
Page 6

US 'trying to withdraw from' ABM treaty

By Andrew Gowers in Geneva

THE Soviet Union suggested last night that the US was trying to create a pretext for withdrawing from the 1972 Anti-Ballistic Missile Treaty, a development which it said could have serious implications for US-Soviet relations.

Mr Viktor Karpov, director of disarmament at the Soviet Foreign Ministry, told a news conference in Geneva that any unilateral action on the ABM Treaty by the US would be "inadmissible", and would show that Washington was "not really interested in having an accord on strategic offensive arms."

He was responding to an American threat on Wednesday after a five-yearly review of the ABM Treaty by the two sides, to declare the Soviet Union's uncompleted Krasnoyarsk radar station in Siberia a "material breach" of the treaty.

This would leave the US free to make a "proportionate and appropriate response" – implying a possible repudiation of the 1972 accord, which would then give the US a free hand in testing and deploying its "Star Wars" (Strategic Defence Initiative) programme.

Although the ABM review seems to have turned into a slanging match between Moscow and Washington about reciprocal violations of the treaty, the Soviet official was careful not to threaten a further escalation.

He did not say that the Soviet Union, which says it ordered a one-year freeze in construction work on the Krasnoyarsk site last October, would resume building.

He also said the two sides had held informal discussions on "certain details" of a previous Soviet proposal to dismantle the equipment at Krasnoyarsk in exchange for a US pledge to respect the ABM Treaty for nine or 10 more years.

The ABM Treaty bans the development of nationwide ballistic missile defences. The Soviet Union believes that a US radar installation at Thule in Greenland and a station at Fylingdales in Britain are also violations.

Significantly, he did not criticise Washington's declaration on Wednesday that the Krasnoyarsk station would make it impossible to conclude an accord on strategic arms or space defence systems, saying that it should still be possible to negotiate a Strategic Arms Reduction Treaty within two or three months.

The two issues, he said, were "organically linked", implying that Moscow is trying to use Krasnoyarsk as a bargaining chip to ensure full US respect for the ABM Treaty and restraint over Star Wars.

Palme murder inquiry report attacks ex-minister

By Sara Webb in Stockholm

SWEDEN'S former Justice Minister, Mrs Anna-Greta Leijon, who resigned in June over her handling of the Olof Palme murder investigation, violated the country's constitutional law, according to a draft report by the all-party Constitutional Committee.

With only two weeks to go before the general election, the committee – the highest body empowered to investigate the conduct of ministers – appears to have fallen victim to party allegiances in drawing its conclusions about the scandal surrounding Mrs Leijon.

Since her resignation, she has been put at the forefront of the Social Democrat's election campaign (and has succeeded in drawing the crowds, many out of curiosity) even though opinion polls suggest she may be detrimental to the party's standing.

The report said Mrs Leijon had not acted with the "solicitude and carefulness incumbent upon her as a minister" when she wrote a letter of recommendation for her friend Mr Ebbe Carlsson to request information about the murder from the British intelligence services. The former Prime Minister was shot dead in February 1986, and since then the police investigation into his murder has lurched from scandal to scandal.

Mrs Leijon "cannot escape criticism", the committee stated in a 400-page draft report into the so-called Ebbe Carlsson affair, adding that her decision to write a letter personally authorising a private investigation was "in conflict with . . . the constitution."

The scandal over Mrs Leijon's handling of the investigation erupted at the beginning of June and has since played into the hands of the opposition parties, putting the Social Democratic Government on the defensive over its role.

When Prime Minister Ingvar Carlsson announced her resignation in June, he promised that she would return after the election with one of the top ministerial posts, a promise which he has stubbornly defended throughout the election campaign.

Party politics has clearly played a role in the conduct of the committee's investigation, leading political analysts to question its authority. The Social Democrats were unanimous in toning down their criticism of the former minister, who did her utmost to solve her Prime Minister's assassination.

In separate statements, the non-Socialist members criticised Mr Carlsson for his hands-off style of government, saying he should not have encouraged Mrs Leijon to continue her secret meetings with Mr Ebbe Carlsson. They also accused Mrs Leijon of interfering in the official Palme murder hunt.

Brandt warns over Nato's arms policy

By David Goodhart in Münster

THE FORMER West German Chancellor, Mr Willy Brandt, warned yesterday that Nato hesitation over Soviet disarmament offers had raised doubts about the Western commitment to ending the arms race.

He told the third day of *Social Democratic Party's conference*: "I find it untenable that Nato shows helplessness and perhaps unwillingness to respond quickly and in a spirit of co-operation to the comprehensive, serious arms reductions offers made by the leading power in the east bloc."

The SPD claims its own approach to common security in Europe was picked up by others and provided the inspiration behind the INF treaty. The conference also demanded that low-level military flights above West Germany be stopped and that military air shows be permanently banned.

Yesterday's conference also expressed some scepticism about the new ideas of Mr *Oskar La Fontaine, spelt out* in Wednesday's debate on the economy.

Mr La Fontaine received only 68 per cent of delegates' votes when re-elected to his position as one of the two SPD deputy chairmen. Mr Hans-Jochen Vogel, party chairman, received 98 per cent support, and Mr Johannes Rau, the other deputy chairman, 92 per cent.

The very high votes for the latter two suggest an unusual degree of party unity, spoilt only by the conflict between Mr La Fontaine and the trade unions.

Mr La Fontaine's heretical ideas may have reduced his chances of leading the party into the elections of 1990 or 1994. The decision on the chancellor candidate for the next election will not be made until a few months before that election.

Hopes fade for European car sales record

By John Griffiths

WESTERN EUROPE'S record new car sales boom showed signs of running out of steam in July for the second month in a row. If the current rate of slowdown continues, predictions in some parts of the industry that last year's record of 12.4m units will be broken are unlikely to be realised.

Total sales last month offered help by 2.7 per cent, to 992,147, compared with a year ago. Sales were still up 4.3 per cent in the year's first seven months to a record 7.85m. But this compares with growth in the first half of 5.1 per cent, while up to the end of May the market had been up by 5.4 per cent.

July saw the hopes of the Volkswagen group – which includes Audi and Seat of Spain – of retaining the West European car market leadership this year fade further. Sales of VW cars were down 8.7 per cent, reducing the group's market share to 15.8 per cent for the month, down from 16.9 per cent last year, and to 14.7 per cent for the year to date, down from 15.2 per cent last year.

In contrast, the arrival of the Tipo hatchback helped drive Fiat's share up further to 16.8 per cent in July, a full percentage point higher than in the same month last year, and to 15.7 per cent in the year to date, up from 15.3 per cent a year ago. So whereas at this time last year Fiat was leading the market, only to be overtaken by VW in the second half, Fiat's lead is now beginning to widen.

The Italian company is also being helped by the growing resurgence of Alfa Romeo, which Fiat acquired at the start of last year and whose sales are up by 14.4 per cent in the first seven months.

Meanwhile, the Peugeot group of France, which includes Citroen, hung on to its third place in July, with a share for the month of 13 per cent, up from 12.2 last year. Renault was fourth, with 11.6 per cent, Opel/Vauxhall fifth with 10.2, trailed by Ford, whose share fell into single figures (9.8 per cent) for the first time in some years.

It is not being helped by poor performance of its executive car, the Scorpio/Granada, sales of which are nearly 37 per cent down in the first seven months compared with a year ago.

In percentage terms, much the most rapid sales growth is being enjoyed by cars imported from the US by General Motors and Ford. GM's sales of US-built cars rose 96 per cent in the first seven months to 5,043 units and Ford's 44.5 per cent to 2,481. While such imports are very small numerically, the growth rate underlines the intentions of the US multinationals to export many more US-built cars to Europe as a result of the dollar's relative weakness against European currencies.

The share of the West European market taken by Japanese manufacturers fell slightly again last month, to 10.3 per cent from 10.8.

Pravda airs Soviet food problems

THE Communist party newspaper, Pravda, yesterday called for an overhaul of the Soviet food industry, reporting widespread shortages and admitting consumption figures had been falsified, Reuter reports from Moscow.

In the most candid description to date of the daily battle faced by Soviet shoppers, it produced a catalogue of waste, inefficiency, declining quality and official abuse. It revealed that meat is still rationed in *eight of the 15 Soviet republics*.

"The food problem is acute in many parts of the Russian Federation, the Ukraine and the Transcaucasian republics," the newspaper said.

Political analysts say the continued shortages after three years of perestroika could undermine public support for the restructuring programme.

Shoppers travel hundreds of miles to the better-supplied shops of major cities – and queue all day, Pravda said. Moscow shops were "stormed by customers."

"We have to change the system of allocation of resources," it said. "The existing system does not stimulate the collective and state farms and food enterprises to develop food production."

Both the quantity and quality of food in heavily-subsidised state shops has deteriorated, forcing people to turn to the small but growing number of private markets and co-operatives where prices may be double official ones.

For years it has been reported that Soviet citizens consumed an average 141 lb of meat a year, but Pravda said government investigations had found it was not true. "The figure was born in the 'years of stagnation' and earlier when we threw dust into the people's eyes and tried to show them how well off they were."

A 4 per cent increase in meat production to 12m tonnes in the first six months of the year produced little change, Pravda said, noting official figures included large amounts of fat and meat products.

In fact, figures showed meat consumption by the poorest 43m people (around a seventh of the population) had fallen 30-35 per cent since 1970, it said.

● The Soviet Communist Party's youth branch, Komsomol, under fire in recent months for stuffiness out of keeping with the Kremlin's reform drive, plans to cut its staff of 100,000 by a third, an official said yesterday.

Paris sets conditions for launch of TV satellite

By George Graham in Paris

FRANCE has decided to go ahead with the launch of its *controversial* TDF1 direct broadcasting satellite, but only on condition that the participants in the project come up with a solution for the second phase TDF2 satellite within one month.

At the same time, the French Government has resolved a long battle between the French telecommunications authority, France Telecom, and TDF, which handles broadcasting within France and is the current operator of the satellite project. France Telecom will take a stake in TDF, which is state-owned but has limited company status, and will thereby take control of all France's satellite programmes.

The Government, in an unusually angry public statement, described the state of the TDF1 and 2 satellite programme as "perfectly loathsome," adding that FFr2bn ($317m) of public money had already been spent over the past 10 years "without the slightest certainty that the whole programme would be completed and without ensuring the financing needed to carry it through."

TDF1 is booked on a flight of the European Ariane rocket and has already been sent to the launching site of Kourou in French Guyana. However, so far it has only one committed television broadcaster, the state cultural channel La Sept, plus the West German Bundespost which has booked another channel for radio broadcasts. Other French television stations have baulked at the price demanded for TDF1's three remaining channels.

Mr Paul Quilès, Minister for Space and Telecommunications, suggested yesterday the three channels might be allotted to "quality thematic stations."

The failure of the West German TVSat1 satellite may bring more demand for channels, but has also increased the insistence of broadcasters on the launch of the TDF2 satellite as a back-up.

The previous Government headed by Mr Jacques Chirac had agreed to finance TDF1 on condition that TDF2 was privately funded, but the FFr1.4bn still required has proved hard to find.

The French Government has made clear its desire to get the TDF programme off the ground to give a boost to the D2Mac high definition television standard. If this standard gains acceptance, it will give an edge to European television manufacturers.

The TDF satellites will broadcast at high power so that customers will have to pay less for the relatively small receiving dishes required. Since their conception 10 years ago, however, satellite design has moved on and they have been widely criticised for being less effective than, for example, the Astra satellite, which offers more channels although at lower power.

Turkey offered help for Kurdish refugees

By Jim Bodgener in Ankara

RELIEF agencies such as Unicef and the Turkish Red Crescent yesterday offered help to the Turkish Government in housing and feeding Iraqi Kurdish refugees, who number up to 150,000.

Mr Turgut Ozal, the Prime *Minister, said yesterday on* television and radio that Turkey would do everything possible to help the refugees crossing the border before the advancing Iraqi fifth army in northern Iraq.

Mr Ozal said the Turkish Government would act out of a debt to humanity. However, Turkish officials repeated that Ankara regards their stay as purely temporary. Earlier this week they had said Turkey had no obligations under international law to accept the refugees.

According to Mr Ozal yesterday, the refugees on Turkish territory numbered around 60,000. Reports on the spot put the numbers much higher – between 100,000 and 150,000.

In spite of the official statements, the refugees appear to be settling in for a long stay. Most have come across the border between the towns of Uludere and Cukurca, where some food scarcities have already been reported.

The Turkish Government was looking first to the security of the refugees, and then *to their medical, food and* housing needs, said Turkish Interior Minister Mustafa Kalemli in the south-east's regional capital of Diyarbakir. He is scheduled to make an inspection today of the border.

The refugees are being looked after by units of the civilian provincial government at Hakkari rather than the security forces themselves.

Yesterday the Turkish Government asked for help from the Moslem Red Crescent, which said it would send tents, blankets, and portable kitchens. The Turkish Health Ministry promised to supply medicine and baby food, together with some doctors and medical staff. The ministry plans to set up camps for around 10,000 refugees each.

Most of the fleeing Iraqi Kurds are women and children, the aged and infirm, but some guerrillas have crossed with them. These have given up their arms to the Turkish border guards, according to local press reports.

The Iraqi forces are still engaged in fierce fighting against both the forces of the Kurdish Democratic Party, led by Mr Masoud Barzani, which is hemmed against the border, and the Patriotic Union of Kurdistan, led by Mr Jalal Talabani, fighting further south. The latter has in the past had meetings with Mr Ahmed Ocalan, leader of the Marxist Kurdish Workers Party, which itself is engaged in a brutal struggle with security forces inside Turkey seeking a separate state for the country's own 8m-strong Kurdish minority.

Paris steps up search for Rafale partners

By Ian Davidson in Paris

THE NEW French Government is actively pursuing negotiations with Spain and Belgium, in the hope of persuading them to participate in France's Rafale advanced fighter project.

Mr Jean-Pierre Chevènement, the French Defence Minister, held discussions with his Belgian counterpart before the summer holidays. But the negotiations are mainly being conducted at the highest political level by Prime Minister Michel Rocard himself.

The latter is deeply committed to the general principle of greater European co-operation in defence procurement. In the case of the Rafale, in particular, the Government bitterly regrets the breakdown in 1985 *of the multinational negotiations* for a single European advanced fighter, and believes that some alternative form of international co-operation will be necessary to ensure the long-term future of the Dassault aircraft manufacturer, which is prime contractor for the project.

Spain has been expected to be a partner in the rival fournation European Fighter Aircraft (EFA) project, which emerged from the 1985 negotiations. But while Britain, West Germany and Italy have now in effect given the go-ahead to the EFA, Spain is not yet committed irrevocably.

The Rafale project was formally launched by the previous Conservative French Government in April, just before the presidential election, with a FFr7bn (£660m) prototype development contract with Dassault, and a FFr7bn jet engine development contract with Snecma.

At the time the Government *claimed that the contracts* were an earnest of its "irreversible commitment" to the project. But doubts lingered whether France could, or should, afford a go-it-alone advanced fighter project. Its total development cost has been estimated at FFr35bn, and its production cost for 330 fighters at FFr142bn. Mr André Giraud, the previous Defence Minister, described these estimates as "criminal", but did not offer lower alternatives of its own.

The participation of Spain or Belgium would help spread development costs. But as a fall-back, the Government is also exploring co-operation on components of the two European projects. The most promising option, in the Government's view, would be some form of co-operation on engines.

Mr Rocard's personal involvement is taken to be a symptom of the gravity of his Government's assessment of *the outlook for Dassault.*

David White, Defence Correspondent, adds: The UK, West Germany and Italy are still proceeding on the assumption that Spain will fulfil its 13 per cent share in the EFA, even though Madrid has still to sign the agreement for full development.

Spain did not sign the memorandum with the others in May because it was awaiting parliamentary approval for the funds, and has since been reported to have had qualms about the engine costs. Its partners have become increasingly anxious in view of repeated overtures by France, which argues that the smaller Rafale, with its greater emphasis on ground-attack, responds better to Spain's defence needs.

Spain took a full part in the earlier decision phases of EFA, including the signing last year of the air forces' joint requirement. It confirmed at the time that it envisaged taking 100 of the aircraft.

British officials indicated yesterday that a withdrawal by Spain at this stage would be taken as a serious let-down. The Spanish companies CASA and Sener are shareholders in the two consortia responsible for the aircraft and engines.

Wage and price freeze in Iceland

ICELAND'S centre-right Government yesterday froze prices and wages as part of an emergency anti-inflation package, Reuter reports from Reykjavik.

The Government ordered banks to cut interest rates, with the rate on bank loans cut from 40 per cent to 30 per cent. Inflation in Iceland is about 25 per cent a year and a political issue where memories of the early 1980s when it hit 130 per cent. Workers will not receive a 2.5 per cent indexation rise they should have been paid this month.

Papandreou to have operation

By Our Foreign Staff

THE GREEK Prime Minister, Mr Andreas Papandreou, 69, is about to undergo heart surgery in a London hospital, the Greek embassy said yesterday. A spokesman said the socialist Premier is suffering from narrowing of the aorta, which carries blood from the heart.

The embassy says he has had the condition for two years and the operation will be a routine one. It will probably take place on Monday at St Thomas's Hospital in London, where Mr Papandreou has been undergoing tests for a week.

It is unclear how long he will be in hospital, but his illness has effectively ended speculation of a early general election in the autumn. An election is scheduled to be held by next June but Mr Papandreou was understood to be weighing the advantages of going to the polls by the end of the year.

Yugoslav leadership gives warning on ethnic tension

By Judy Dempsey in Vienna

YUGOSLAVIA'S Communist Party leadership has described the political situation in the autonomous province of Kosovo as "worsening daily" following recent demonstrations by Serbs there and in the northern province of Vojvodina.

More than 10,000 Serbs protested in Pristina, Kosovo's capital, on Tuesday against alleged intimidation of the Serbian community by ethnic Albanians. They also staged a small demonstration in Nova Pazova in Vojvodina after the police had apparently arrested a Serb involved in recent nationalist demonstrations.

Both provinces are constitutionally linked to the Republic of Serbia, whose Communist party is headed by Mr Slobodan Milosevic.

He has given his backing to the recent spate of demonstrations, of which several more are planned over the next few weeks.

He has also thrown his weight behind proposed amendments to the constitution which are seen as exacerbating the ethnic and nationalist tensions.

The amendments, if passed, would reduce the autonomy and the powers of Kosovo and Vojvodina. These powers which include foreign policy, the judiciary and security, would be ceded to Serbia. Both the two Provinces and some other Republics, most notably Slovenia and Croatia, object to the amendments on the grounds that Serbia will assume greater dominance in the Federation.

Hungary strike concession

By Leslie Colitt in Berlin

STRIKING WORKERS at a Budapest optical plant have forced the reinstatement of their deposed director in the latest of a series of unprecedented work stoppages in Hungary.

A survey published recently in the government newspaper Magyar Hirlap showed that two-thirds of those polled expected more strikes in reaction to the Government's austerity and economic reform programmes.

These provide for the closure of unprofitable companies, the shedding of labour on a large scale and other rationalisation measures.

The strikes began on August 23 when 150 miners in the Mecsek coalfield in Pecs halted work in protest at the effect on their bonuses of the personal income tax system introduced this year.

The Government subsequently agreed to pay bonuses at the same level as last year.

Printers went out on strike last Monday in Gyomaendrod in protest at planned changes in management.

Will the real Belgians please stand up

David Buchan, in Brussels, ponders divisions in a state which is not a nation

WILL the European Community gain another member state as Belgium splits into two? Or will one member state simply disappear as the accidents of history preventing incorporation of Dutch-speaking Flanders into the Netherlands and French-speaking Wallonia into France are finally reversed?

Either scenario is possible, according to a new fast-selling book by Mr François Perin, a constitutional lawyer who in his years as a minister and senator has developed a deeply cynical view of the small amount of "Belgitude" in his compatriots, compared to the myths perpetrated by historians.

Publication of the book (with a cover showing Mr Perin on a vain search for a true Belgian) coincides, of course, with the current recasting of Belgium into a federal state with one third of the national budgets *being devolved on to the two* regions of Flanders and Wallonia, plus linguistically mixed Brussels.

No one quite knows how far the new federalism, ending 158 years of Belgium as a unitary state, will go. Uncertainty breeds sensitivity, not only to the Perin book but also to the recent ill-advised remark by Mr Hugo Shiltz, a national minister, who told his fellow Volksunie Flemish nationalists that "the Belgian state, any more than Wallonia, no longer concerns us." He got hauled before the headmaster, Premier *Wilfried Martens*, and told to recant.

The recent passing of the country's largest company, *Société Générale*, out of predominantly Belgian hands, and the possibility that another national symbol, the Sabena airline, might go the same way, have also helped gnaw away at the economic sense of Belgitude.

If Mr Perin is right in predicting the demise of Belgium, it is more likely to happen through implosion (crumbling from within) than explosion (the country's linguistic wars have never produced real violence on, say, on an Irish scale). Most people in Belgium are apathetic. The cafés are hardly buzzing with talk of constitutional reforms, partly because there is no one left to defend the unitary cause.

The only class of "real Belgians" are probably immigrants. An old story is told of a sergeant ordering the Walloons, among his troops, to the left, the Flemish to the right, and being left with one misera*ble soldier standing in the mid*dle. "What do you think you are", the sergeant roars at him. "I'm Belgian", he replies forlornly. "What's your name?" "Kowalski."

These days, he would probably have a north African name.

If there is a true Belgian, it is King Baudouin who, with evident distaste, used the world "federal" for the first time in his Belgian national day speech last month

If there is a true Belgian, it is King Baudouin who, with evident distaste, used the world "federal" for the first time in his Belgian national day speech last month. But the monarchy has in the past had few illusions. Mr Perin quotes the first king, Leopold I (himself an immigrant German), as commenting 28 years into his reign that "Belgium has no nationality and, given the character of its inhabitants, can never have one."

As the Cassandra-like Mr Perin says that "the Belgian disease is incurable." The only hope is that in a united Europe, the Flemish could have the union with the Netherlands that they should have had in the 16th century, if they had not been reconquered by the Spanish counter-reformation, and the Walloons the union with France they might have got if Napoleon had won at Waterloo. Brussels itself could then become Europe's Washington DC.

But perhaps it is not too late. Mr Perin may be showing his age (67) by being so gloomy, according to a recent poll carried out by a relatively new youth pressure group going under the name of "Belgian and proud to be so." Surveying 604 people between the ages of 18 and 30 around the country, the *survey found that* 70 per cent confessed to being – you guessed it – Belgian and proud to be so; 14 per cent could not bring themselves to agree to this sentiment, while 16 per cent didn't know – presumably a) whether they were Belgian or b) whether they were proud or ashamed of being so, or conceivably c) both.

Mr Michel Robert, a vice president of the pressure group, is probably on to something when he says that Belgium's youth are far more interested in studying, finding jobs and making money than in forming up on the linguistic battle-lines drawn by their elders, particularly the politicians.

Interestingly, much of the support for Mr Robert's pressure group comes from Belgian big business, anxious that federalisation of the country may disrupt its plans, force it to decentralise and confuse foreign buyers. One of Mr Robert's chief backers, Mr Philippe Bodson, who is (the relatively young) president of the Belgian employers federation, warns that Belgium will get nowhere by promoting Flemish or Walloon products with Flemish and Walloon trade missions abroad.

But a generation gap remains, particularly among politicians. A senior senator recalled the other day the answer given by Mussolini to a famous Belgian lady journalist complaining about the difficulty of covering Italian politics. "Not only difficult, madame, but useless." The same, said the senator, went for his country.

Histoire d'une Nation – Introuvable, by François Perin, published by Paul Legrain.

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AMERICAN NEWS

Jackson is back as friend Dukakis doesn't need

By Lionel Barber in Washington

JUST AS Governor Michael Dukakis is about to launch his autumn presidential campaign offensive against Vice-President George Bush, the perennial problem of the Reverend Jesse Jackson has re-emerged.

The Dukakis camp apparently does not want Mr Jackson campaigning in several states where their polling suggests he would hurt efforts to win white middle-class voters, the key constituency in this year's presidential election.

Mr Jackson had apparently let it be known to the New York Times through his aides that his services might not be required by the Dukakis campaign in Mississippi, Alabama, New York, Michigan and Texas. The last of these is a prime battleground, where the Democratic effort is headed by Mr Dukakis's conservative Texan running-mate, Senator Lloyd Bentsen.

This latest Dukakis-Jackson dispute undermines the picture of party unity formed at the Democratic Party's convention in Atlanta last July, a fragile unity which failed to hide deep political differences between the two men on how best to beat Mr Bush.

This week, Mr Dukakis announced his opening campaign themes: the drive to restore American competitiveness, home ownership and college education, all under the slogan "Bringing Prosperity Home" and designed to appeal to the middle class.

Such themes are in part an answer to Mr Bush's persistent description of Mr Dukakis as a leftish liberal, a line of attack which has helped him draw level in the latest polls after lagging behind for most of the summer.

However Mr Jackson argues that the Democratic party should focus less on the middle class and more on attracting new voters from the ranks of the "dispossessed" – blacks, poor whites and Hispanics.

The key issue is whether Mr Dukakis and Sen Bentsen have calculated that Mr Jackson will alienate more voters than he can attract. Or, put another way, perhaps they reckon they can take his supporters more or less for granted and therefore do not need to "buy off" Mr Jackson by giving him a prominent role in the campaign.

Mr Jackson yesterday rejected the New York Times report which quoted his aides saying he had been asked not to campaign in several states. He said his role was still undecided and added: "I'm the most effective volunteer that the ticket has. I've spoken to more people in more places for the Dukakis-Bentsen ticket than any governor, any senator, anyone else has."

Last Saturday, on the 25th anniversary of the assassinated civil rights leader Dr Martin Luther King's "I have a dream" speech, Mr Jackson spoke before 50,000 people in Washington and did not endorse the Democratic ticket.

Mr Jackson has in fact rarely disguised his lukewarm attitude to the Dukakis-Bentsen pairing. The question is how far he is prepared to exert himself on their behalf – precisely the same issue which came up in 1984 when the Democratic nominee, Mr Walter Mondale, tried, without success, to enlist his unequivocal support.

The recurrence of intra-party feuding should please Mr Bush, who, in his latest incarnation as a concerned environmentalist, visited Boston Harbour yesterday to criticise Mr Dukakis's clean-up efforts in his home state.

The one nagging worry for the Vice-President is his 41-year-old running-mate, Senator Dan Quayle of Indiana, who continues to attract criticism. According to a Harris poll released yesterday, Mr Bush leads Mr Dukakis by 49 to 47 per cent, but Senator Bentsen leads Senator Quayle by 57 per cent to 40 and the bulk of voters think he was a bad choice for running mate.

Koch offers a limp handshake

By James Buchan in New York

YOU couldn't really call it a handshake. It was just a touching of fingers for the cameras, and the photographs on the front of the New York papers betray distaste on the faces of both men. But Mr Edward Koch and the Reverend Jesse Jackson, whose mutual dislike made the New York Democrat primary both the high and low point of the presidential campaign this year, have made it up at last.

They say they will work together to get Mr Michael Dukakis elected for the Democrats in November.

Mr Koch, who is mayor of New York City, didn't exactly apologise for saying in April that Jews would be crazy to vote for the black candidate. Nor did Mr Jackson quite forgive him for this and other attacks. He did say: "The April campaign of 1988 is behind me. November of '88 and next year's campaigns are before me."

The stagy reconciliation on Wednesday might never have taken place but for the suave diplomacy of Mr Mario Cuomo, the Democrat governor of New York State, who brought the two men together for more than two hours at his offices half-way up the World Trade Centre in downtown Manhattan. For all the crowds, the wariness and the tension, it might have been the ministers of Iran and Iraq meeting at the United Nations.

All week, Mr Jackson has been revisiting the scene of his greatest political triumph and failure. Though he won the city in April, he lost the state – and his chance of the nomination – in a campaign marked by racial tension and inconsequential bickering, ably stirred up by the mayor.

This week brought more of the same. Mr Jackson was booed on the floor of the New York Stock Exchange and on Monday he held a meeting with a group of local black politicians and lawyers who have defied the New York criminal justice system for months in the tangled case of the teenager Tawana Brawley, who they say was attacked by white men.

The only difference is that Mr Koch, who needs black votes to get re-elected next year, is on his best behaviour. He didn't apologise but he did say he regretted the stridency of his attacks in April.

Peru puts gas project out to bids

NEGOTIATIONS on Peru's largest foreign investment venture, Royal Dutch Shell's $1.3bn (£773m) project to develop rich gas deposits in the Amazon, have failed to meet their deadline, Veronica Baruffati reports from Lima.

A contract should have been signed by August 31 but late on Wednesday Mr Abel Salinas, the Peruvian Minister of Mines, announced that a lack of negotiations between Petroperu, the state oil company, and Shell was forcing the Government to put the contract out to international tender.

A special committee would soon be set up to prepare the terms of the bid, he added. Since the committee will have 90 days for the task, this allows the Government some leeway to resume talks with Shell.

Shell is reported to be having difficulty raising some $585m in external financing for the project, but has also been accused of dragging its heels.

Brazil interest paid

Brazil has made a further $100m interest payment to commercial banks, bringing it up to date on 1988 interest payments, before another important deadline for a new loans and rescheduling package for the country, Stephen Fidler, Euromarkets Correspondent, reports.

Banks which agree to join the package, incorporating $5.2bn in new loans, before midnight tonight gain a ⅛ per cent early participation fee. The package was originally scheduled for signing this month and for the first disbursement of $4bn to take place in October, but both may be delayed.

Argentina debt talks

Argentina's debt negotiators are expected to meet the country's bank advisory committee late next week in New York to discuss the need for new funding, Gary Mead reports from Buenos Aires. It is believed that Argentina is hoping to obtain fresh loans from commercial banks of up to $2bn.

According to Mr Daniel Marx, a director of the central bank, Argentina has this year paid $800m interest to its commercial bank creditors. But bankers say the country has not paid anything since April.

Pinochet says Chilean exiles may return

By Mary Helen Spooner in Santiago

CHILE'S military regime will allow political exiles to return to the country, General Augusto Pinochet announced yesterday.

Some 300 Chileans prohibited from entering the country are affected, but those serving internal exile sentences in remote areas of Chile are not.

On Wednesday night Gen Pinochet appeared unexpectedly on television and invited his opponents to join his Government in building a "new democracy" for the country.

The 72-year old general, who on Tuesday was nominated by the military junta to stand as the lone candidate in a one-man presidential plebiscite to be held October 5, was filmed in civilian dress and seated in front of a bookcase filled with leather-bound volumes.

The Chilean leader's moderate tone contrasted with a statement released a few hours earlier by Interior Minister Sergio Fernandez, who charged that opposition groups which are campaigning for a "no" vote in the plebiscite were responsible for the violent incidents in the wake of Gen Pinochet's nomination.

Three people were shot dead and five others wounded on Tuesday night by civilians in moving vehicles who opened fire on anti-government demonstrators. Another 29 people were injured in other incidents.

An anonymous spokesman for an extreme right-wing group, the Nationalistic Combat Front, telephoned Chilean newspapers to announce that the organisation was forming "direct action groups" whose purpose was to defend a "yes" victory for Gen Pinochet in the plebiscite.

Borja moves to tidy up the mess

Sarita Kendall evaluates Ecuador's emergency economic package

PRESIDENT Rodrigo Borja's economic team, which announced an emergency package for the country this week, gave an impressive display of unity and shared responsibility.

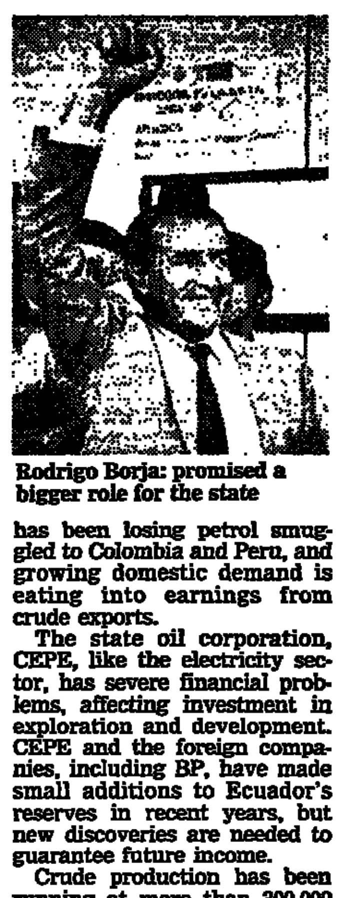
The measures themselves – the first stage in a three-part programme which will continue with "stabilisation" and "reactivation" – have met resigned acceptance from most sectors, with the strongest condemnation coming from the trades unions.

Phrases such as "fiscal dementia" and "economic collapse" flowed as the authorities described the financial chaos of Ecuador's central bank and accused the last administration of mismanaging the accounts.

The Social Democrat Government's emergency plan is aimed at restoring discipline, cutting deficits and reducing inflation to 30 per cent next year, while mitigating the impact of certain measures – in particular devaluation and a 100 per cent increase in petrol prices – on lower-income groups.

Several changes, including import restrictions and central bank controls over private export transactions, fit President Borja's campaign promise to give the state a more important role in the economy. After four years of moving in the opposite direction, this represents a return to policies similar to former President Oswaldo Hurtado's. Indeed, the current head of the Monetary Board was part of that government.

Although the rise in petrol prices will boost inflation at first, the price is still under 50 US cents a gallon. The country



Rodrigo Borja: promised a bigger role for the state

has been losing petrol smuggled to Colombia and Peru, and growing domestic demand is eating into earnings from crude exports.

The state oil corporation, CEPE, like the electricity sector, has severe financial problems, affecting investment in exploration and development. CEPE and the foreign companies, including BP, have made small additions to Ecuador's reserves in recent years, but new discoveries are needed to guarantee future income.

Crude production has been running at more than 300,000 barrels a day since the rebuilding of the oil pipeline after the 1987 earthquake. Having nearly repaid oil loans made last year, Ecuador faces the prospect of having to return to its Opec quota of 220,000 barrels a day. This would virtually halve oil exports, something the Government can ill afford.

The 1987 growth forecast of 7 per cent may sound encouraging, but it reflects the recovery of oil rather than genuine economic buoyancy. Most experts believe reactivation will take at least a year, and in the meantime a vast rescheduling programme for the $11bn foreign debt is inevitable. Ecuador has not been paying interest to the commercial banks since the beginning of 1987, while multilateral payments have fallen behind too.

The country's economic difficulties have repeatedly been blamed on extraneous factors, especially the earthquake and the fall in oil prices. But this Government has been put in the unenviable position of imposing unpopular measures early on, largely because of the previous administration's failure to act during the last year. Even though Mr Borja has started in an atmosphere of goodwill, it must be disconcerting for him to hear talk of transport and general strikes within a month of taking over.

A 15 per cent minimum wage increase has been proposed by the Government, and other palliatives include health, nutrition and employment programmes. However, it is not clear how far-reaching these will be, and whether, for example, the authorities will be able to freeze the prices of basic foodstuffs such as sugar and rice without creating shortages.

At the same time, Mr Borja has promised government austerity and an end to what he calls the sub-culture of corruption. The central bank is to give no further credit to the public sector this year, and all but the most essential investments are to be slashed. This belt-tightening talk has been echoed by many businessmen, and both industrialists and bankers have said they believe the Government is on the right track.

It remains to be seen whether Congress will be as understanding. Although Mr Borja has a small majority as a result of the Democratic Left's alliance with the Christian Democrats, the Ecuadorian Parliament has in the past shown greater enthusiasm for impeaching ministers than for legislating. However, the way the Peruvian border issue – mentioned by Mr Borja in his inaugural speech – was defused by the president of Congress showed tact and common sense.

One especially prickly problem for Congress and the Government is the fate of the air force commandos who kidnapped former President Leon Febres Cordero in January last year. There are strong pressures, including a petition of a reported 400,000 signatures, to grant them an amnesty, which would strain relations with the armed forces.

While guerrilla activity has been limited to small isolated incidents, Ecuador is suffering the consequences of being sandwiched between two cocaine powers, Peru and Colombia. A few coca plantations and small scale laboratories were destroyed under the last Government; the new Interior Minister, promising a firm stand against drugs, said this week that imports of chemicals used in cocaine processing had jumped.

President Borja's first year may well be the toughest, and he does not have the luxury of the traditional 100-day honeymoon.

WORLD TRADE NEWS

Default risk among debtor nations 'is higher than ever'

William Dullforce reports from Geneva on a plan which Unctad economists say has failed to achieve many of its objectives

THE STARTLING proposal for a 30 per cent reduction in the commercial bank debt of 15 developing countries put forward today by the United Nations Conference on Trade and Development rests on a closely argued indictment of the international debt strategy pursued by the big industrial nations.

In the Unctad secretariat's view, the plan elaborated in 1985 by Mr James Baker, the former US Treasury Secretary, has failed to achieve many of its objectives, including the key one of returning developing countries to sustained growth.

Unctad also argues that the risk of defaults among the 15 most heavily indebted countries is higher than ever. Despite the domestic policy reforms undertaken by many countries under pressure from the Baker plan, their indebtedness has increased.

Their growth momentum continues to be stifled, inflationary pressures are still strong, and investment remains depressed.

The most notable achievement of the Baker strategy is that the commercial banks' exposure in relation to their capital has fallen steeply. By increasing their loss provisions, US, British and Canadian banks took decisive steps in 1987 to protect themselves against eventual non-payment.

In contrast, the Unctad report points out, at the end of 1987 the main debt indicators of the developing countries were worse than in 1982, when the debt crisis broke out.

If recent interest arrears by a number of countries such as Brazil, Ecuador, Ivory Coast and Peru are added to the debt stock, the ratio of external debt to Gross Domestic Product in the 15 countries rose to about 0.5 in 1987 from 0.42 in 1982.

At the end of 1987, the ratio of the stock of external debt to the value of exports in those countries was 65 points higher than in 1982.

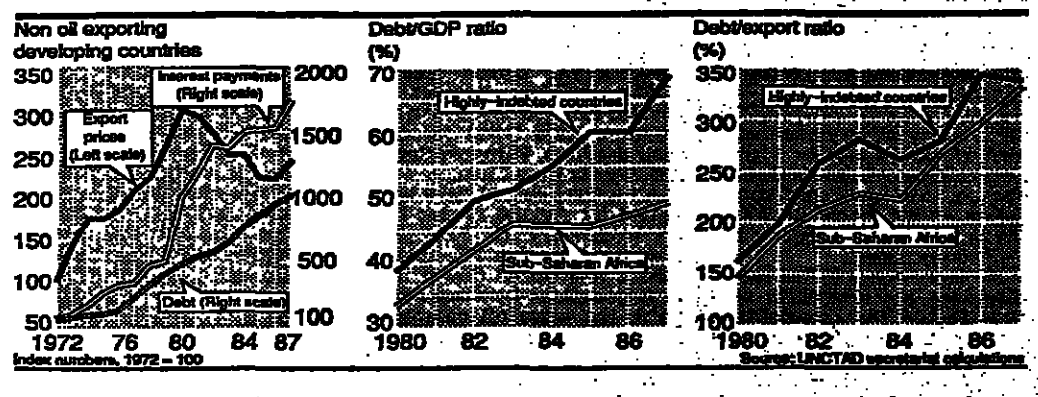
Unctad recognises that external factors, such as the continuing depression in commodity prices, have hampered the Baker plan but it is particularly tart about the banks' failure to fill their role in the strategy.

Banks were expected to supply sufficient funds to avoid driving debtors into default in the short term but also to strengthen their debt-servicing *capacity in the longer term.*

In practice, the banks have concentrated on minimising their exposure and have met only the first expectation, according to Unctad.

New devices and techniques for converting bank claims into more secure assets - debt-equity swaps, exit bonds and other forms of securitisation - have not yielded any substantial increase in the flow of resources to debtor countries, the Unctad economists argue.

The task of realigning developing countries' debt service obligations with their economic capacities has still to be accomplished and in many respects is now much more formidable than six years ago, they claim. Investment ratios and living standards are far below earlier levels.



Unctad examines three scenarios for the future development of the debt issue. A baseline scenario assumes that terms of trade, interest rates and net lending will remain as they are and that the indebted countries' domestic policies will substantially improve the efficiency of their investments and translate them into export earnings.

Over the next five years, per capita export volume would grow by no more than 0.8 per cent a year and income by no more than 0.5 per cent. Such results would be better than anything achieved so far but the debt indicators would scarcely improve and the outcome would imply an eventual breakdown in debtor-creditor relations.

Under a new lending scenario, net capital flows would be raised to a level 2.4 times above the baseline figure, enough to eliminate the foreign exchange constraint on growth. The additional lending needed would average roughly $16bn (£9.4bn) a year over five years.

Income would grow at about 5.3 per cent over the five years and exports at about the same rate, but the debt statistics would show no improvement.

A strategy of accumulating substantial additional debt at market rates would be fraught with dangers and may be considered out of the question for most indebted countries, Unctad comments.

The Unctad secretariat plumps therefore for the third "debt relief" scenario, which calls for a 30 per cent once-for-all cut in commercial bank debt.

This scenario assumes as before that interest rates and terms of trade remain unchanged and that the efficiency of investment is improved, but it also requires that the entire amount of savings on interest payments be allocated to investment in export industries.

After five years, income would be 24 per cent higher and investment 36 per cent higher than in the baseline scenario, while the debt/GDP ratio would be 17 points lower and the debt/export ratio 100 percentage points lower, the Unctad economists calculate.

Resort to concerted debt reduction would not mean abandoning the case-by-case approach on which the big industrial nations have insisted in their strategy, Unctad stresses.

On the contrary, it would make that approach more effective. The ability to adjust the debt stock would allow debt restructuring and financing packages to be better tailored to the individual circumstances of individual countries.

A 30 per cent reduction in the commercial debt of the 15 countries would provide an extra fillip to world trade and help to improve the US trade balance, according to Unctad.

Combined with debt relief and new financial flows for sub-Saharan Africa, the debt cut would stimulate annual increases over the 1987 level of $18bn in net import demand from debtor countries, the Unctad economists calculate.

As much as $6bn of this would benefit the US, they say.

Poorest countries in Africa 'need more aid'

By William Dullforce in Geneva

THE "MENU" of measures to boost assistance for African countries approved by the seven industrial powers at their Toronto summit in June represents an important qualitative change in governments' stance and has improved the potential for easing Africa's debt burden, Unctad says in its 1988 report.

However, it argues, the Toronto initiative needs to be complemented by further debt relief and additional concessional flows to the poorest countries.

Cancellation of official development assistance debt by some governments should be copied by others. Careful examination of export prospects and import requirements should also show that waiving of ODA debt is necessary for more countries, Unctad says.

It accepts the estimate of a UN advisory group that sub-Saharan Africa faces a financing gap of over $5bn (£2.9bn) a year for the next few years.

Commitments by the World Bank, the International Monetary Fund and the African Development Bank should provide an additional $3bn a year. The remaining $2bn needs to be met by debt relief and increased bilateral flows.

While a flow of this size would go a long way to checking the economic decline in Africa, it would not end the constraint on growth posed by these countries' payments balances, Unctad comments.

Sub-Saharan African nations are much more dependent than the highly-indebted countries on imports.

Even if the $5bn-a-year financing gap were bridged, the growth rate of imports would not allow any real improvements in the payments balance over the next few years.

Setting a target growth rate of 3 per cent for per capita income and consumption over the next five years would require the raising of a further $5bn a year on average above what is already in prospect.

This means, Unctad calculates, that even if the entire interest payments on official bilateral debt and long-term commercial debt were cancelled, $3bn more in new flows would still be needed.

Warning over manufactures

TRADE TENSIONS could focus more on exports of manufactures from the Third World, Unctad forecasts in its 1988 trade and development report, William Dullforce reports.

One quarter of developing countries' non-fuel exports to the developed market-economy countries is already affected by a vast array of non-tariff measures such as quantitative restrictions, price controls, licensing and voluntary export restraints, Unctad complains.

Although Third World manufacturing exports are focused on sectors where output and employment have long been declining in the industrialised countries, they are increasingly giving rise to trade conflicts, Unctad claims.

Protectionism by the industrial nations tends to concentrate on food products, textiles and clothing, steel, and electrical goods, in which developing countries are gaining competitive advantages, Unctad says.

This, it claims, raises the issue of how to incorporate developing countries more fully as equal partners into the international trading system.

A long-standing international policy commitment to "make room" for exports of manufactures from developing countries still has to be fully implemented.

This commitment could be met, Unctad suggests, through agreement on the rollback of existing non-tariff barriers

Japan 'to strengthen role as top telecoms exporter'

By Hugo Dixon

JAPAN WILL strengthen its position as the world's leading exporter of telecommunications equipment over the next few years, according to a report* by the UK-based Telecommunications Research Centre.

The report forecasts that telecommunications trade will total $13.3bn (£7.8bn) in 1990, up from $9.9bn last year. Japan will account for 31 per cent of this market, with exports of $4.1bn.

West Germany and the US are predicted to be second and third largest exporters, with 11.2 per cent and 9.7 per cent of the export market respectively. Sweden, which held the number two spot in 1986, slipped to fourth last year and is expected to see a further decline in market share by 1990.

The UK, the world's seventh largest exporter in 1985, will also decline as a telecommunications power, according to the report. South Korea, Belgium, Hong Kong and Finland will be larger exporters by 1990, pushing the UK into 11th position.

The report, which examines how the worldwide telecommunications business will develop to the end of the century, makes the following forecasts:

- Worldwide telecommunications spending will amount to $184bn in the year 2000, up from $83bn in 1986.
- This increase in spending, at 8 per cent a year, will not be enough to satisfy demand for telecommunications services, expected to grow 12 per cent a year until the end of the century.
- The two fastest-growing sectors of the telecommunications market will be data communications and mobile communications.

**Telecommunications, World Outlook and Forecast, TRC, 4/5 The Square, Barnham, West Sussex, PO22 OHB, UK. £395.*

Canada House passes US trade pact

By David Owen in Toronto

THE CANADA-US free trade agreement has been passed by the Canadian House of Commons, by a margin of 177 to 64.

The deal, which aims to remove most tariffs on bilateral trade between the two countries by the year 2000, now passes to the Liberal-dominated Senate or Upper Chamber. The Senate has pledged to delay passage of the necessary implementing legislation until after a general election is called.

The delay is not expected to last too long, however, because a general election is widely expected to be announced soon.

As expected, the Commons division was strictly along party lines. The deal, negotiated by Mr Brian Mulroney's Conservative Government, is staunchly opposed by both the Opposition Liberals and the left-of-centre New Democratic Party.

Soviet joint ventures will be a long haul

John Lloyd looks at the problems of co-operation with foreign enterprises

CO-OPERATION between foreign and Soviet enterprises is of a piece with much else in the economic reform movement at present going on in the Soviet Union - as with, for instance, co-operatives, self-financing by enterprises, and leasing of land and equipment.

It is the subject of a huge piece of legislation, is being boosted by senior figures and *the media - but as yet has produced* very little. Like perestroika itself, of which it is a part, it remains very largely potential. Potential there is, though: the Government has earmarked 320 ventures for development over the next seven years, including 69 in agriculture, 60 in chemicals, 50 in the "social sphere", 48 in machine building, and 33 in construction.

Of the total, some 140 are expected to use advanced technologies – perhaps, for the Soviet Union, the most important single element.

But that growth will only come – as Soviet planners recognise – from foreign partners seeing that profits can be made and that their assets are secure, a belief which will take time to spread.

For the moment, the base is small: some 70 joint ventures, of which all but 11 are between Soviet and capitalist partners.

A lengthy analysis of this new sector by Dr I. Ivanov, deputy chairman of the Foreign Economic Commission of the Council of Ministers, in the current issue of Kommunist, underscores its fragile nature.

Of the total, 48 have a capitalisation of less than Roubles 5m, with only 10 over Roubles 10m. Total investment to July was Roubles 530m, of which more than one third is foreign.

West Germany is easily the most important partner, with 13 joint ventures so far; Finland, the traditional western conduit, has nine, Italy eight, the US seven, Austria six, France four, Switzerland and Japan three. Australia, Britain, Canada, Ireland, Spain, Swe*den and Syria all have one or* two at the most.

An earlier study by Ernst and Whinney, the British business services group which has secured the contract to audit the books of most of the joint ventures in association with the Soviet office of Inaudit, shows that workforces are often in no more than double figures – though a refrigerator company founded by Sovital Prodmash and the Italian company Fata employs 2,500 and a Soviet-Swiss construction enterprise has 460 workers.

The limiting factors are taxes, quality of local components and service, the repatriation of profits, and access to the domestic market.

At present, the Western partner can only repatriate that share of the profit earned in hard currency, and hard currency must also pay for all machinery and supplies not sourced in the Soviet Union, and the salaries of non-Soviet staff.

Further, an effective tax rate of 44 per cent was, under the terms of the original decree of joint ventures of January 13 1987, paid on all repatriated profits: that figure has been lowered, and is anyway subject to negotiation.

In addition, the quality of local products of all kinds is said to be variable. One or two of the more recent US joint ventures have attempted to overcome this and other problems by establishing a series of joint companies which can both supply each other and co-operate on profit repatriation.

Joint ventures are the subject of huge legislation, are being promoted by the media, but as yet have produced very little

The original design of the Soviet authorities was to insulate the joint ventures from the domestic market, allowing them to trade only through trade associations. That had the advantage of guaranteeing a stable level of profits, though under pressure the enterprises are now being allowed direct access to the domestic market.

Even when gained, however, access to the market is only the beginning of the matter: for many enterprises, especially those in technically advanced sectors, the larger problems are trained staff, a sales infrastructure and a market ready to buy their goods.

Take the case of the computer company Interquadro, one of the handful of joint venture companies now beyond the documentation stage. It is a joint French-Italian-Soviet venture, to market personal computers and software.

Easy enough, in a vast, relatively well-educated market which has an estimated 1,000 personal computers in all? No – because there is not the training, nor the infrastructure, nor yet any more than a tiny computer culture, on which to float.

Interquadro has its own client training programme, and is looking for big orders from the agriculture ministry (which owns 35 per cent of it) and *from Moscow diamond and* watch factories. But Mr Alexandre Kaplan, the French deputy general manager (the 'chief' must always be a Soviet citizen), knows he is in for the long haul.

The reservations are not all on the western side: in Dr Ivanov's Kommunist article, he relates fears generally felt that the foreign partners will "exploit" Soviet workers and consumers: and that if Soviet companies establish production facilities abroad, they will themselves become exploiters.

Dr Ivanov dismisses these fears: Soviet law can take care of its workers, and Soviet companies abroad would export not imperialism (as some Western companies, he says, do through investment) but technology and a socialist example.

Dr Ivanov is concerned to persuade his readership – the Party elite – that the Soviet Union has no choice but to insert itself gently into the "international division of labour" and that this cannot be done any longer simply through distant trade relations.

In Soviet discussion of the issue, it seems apparent that the authorities are moving towards a position where the rules governing such ventures are flexible, geared to attracting and keeping doubtful foreign partners.

Dr Ivanov, for example, suggests that they could be relieved from many of the labour laws (there is a similar debate going on about co-operatives) so long as they agreed to undertake collective bargaining with the unions.

New partners, including corporations like McDonalds fast food chain, are now coming forward. But no-one expects anything big for a while.

Soviet-Finnish deal signed

By Stephen Fidler, Euromarkets Correspondent

ONE of the first project financings for the Soviet Union to involve foreign banks was signed in Moscow yesterday – a DM60m (£18.7m) loan to establish a joint venture to manufacture plywood between Soviet and Finnish companies.

The financing is one of the first to be arranged with Western banks without the guarantee of the Soviet Union through the Bank for Foreign Economic Affairs.

The project is designed to be self-financing, with the loan to be repaid from revenues from the sale of plywood. One banker said the financing was significant in marking "the advent of the age of project finance in the Soviet Union."

The partners in the joint venture are Novgorodlesprom, a regional production company in the USSR, and the two Finnish companies, Raute and Wilh. Schaumann. It will build a factory at Novgorod.

The 12½-year loan is being provided by Moscow Narodny, the Soviet-owned London-based commercial Bank, and Postipankki, the Finnish state-owned commercial bank.

Most of the equipment for the project will be sourced from Finland and funding for the project will be provided to the lending banks by the Finnish export credit agency.

However, payments from the joint venture will be in hard currency and will not be subject to the Soviet-Finnish clearing arrangement. This offsetting financing arrangement has run into difficulty with the build-up of a large trade surplus by Finland with the Soviet Union.

French minister tries to block Japanese wine bid

By George Graham in Paris

FRANCE'S Agriculture Minister yesterday stepped in to try to stop the sale of one of France's most expensive wine labels to a Japanese company.

Mr Henri Nallet said he had asked his colleague Mr Pierre Beregovoy, the Finance Minister, to refuse permission for Takashimaya, a Japanese retailer and wine importer, to buy a stake in Leroy, a Burgundy wine dealer with exclusive distribution rights for Romanee Conti, for about FFr84m ($13m). Takashimaya wants to buy a stake only in the distributor, not in the vineyard itself.

Romanee Conti, a tiny vineyard of 1.8 hectares, produces only about 6,000 bottles a year, selling for more than any other Burgundy wine and often exceeding even the rarest Bordeaux wines.

The 1983 vintage retails in *Paris for FFr3,200 a bottle. Old* vintages have sold recently for over FFr8,000 a bottle.

"It is like a cathedral," said Mr Nallet, adding that Romanee Conti was a work of art, part of France's cultural heritage, which could not be allowed to pass into foreign hands.

OVERSEAS NEWS

Tokyo resists pressure to increase interest rates

By Stefan Wagstyl in Tokyo

PRESSURE mounted yesterday on the Bank of Japan to follow other central banks in raising official interest rates. But the bank refused to budge, despite a sharp fall in the yen, as well as a surge in money market interest rates which caused one of the Tokyo stock market's biggest falls this year.

Nevertheless, some private economists said the central bank might not be able to hold out much longer in the face of the increases in US interest rates, which have helped to push the US dollar to its highest level against the Japanese yen for nearly a year.

"It's not a question of if but when," said Mr Marshall Gittler, a bond market analyst at UBS Phillips & Drew. Mr Susumu Taketomi, senior financial economist at the Industrial Bank of Japan, was more circumspect. "We have some more time before the decision has to be taken. But the probability of an increase in the official discount rate is higher than it was a week ago."

The immediate cause of concern yesterday was a surge in the dollar, which closed in Tokyo at Y136.7, a sharp Y1.73 higher. As a result yields in the money and bond markets, which have been climbing steadily, rose another notch. The Nikkei index of long bond yields finished 0.06 per cent up at 5.55 per cent.

Attention focused on the widening gap between the bill discount rate – the market-responsive rate at which the Bank of Japan operates in the inter-bank market – and the official discount rate – which determines the cost of commercial bank prime borrowing rates.

The bill discount rate rose to 4.25 per cent in the case of one-month bills – while the discount rate stayed put at 2.5 per cent.

Some economists argued that this gap illustrates that the central bank no longer has any choice about raising the discount rate, or else commercial banks' borrowing and lending rates will be squeezed. But

> Japan may be holding back for fear that intervention would provoke a dangerously quick fall in the dollar

others said the central bank still had room for manoeuvre in Japan's complex web of regulated, half-regulated and unregulated money markets.

The Bank of Japan's official view is that its priority is to keep borrowing costs in Japan low, to maintain the rapid pace of economic expansion, which benefits other countries by sucking in imports. Moreover, the bank fears that a rise in Japanese rates could easily spark a round of worldwide interest rate increases.

The danger is that a continued fall in the yen might push up import costs and cause inflation. Also, a low yen would boost Japanese exports just when the country is trying to cut its trade deficit.

However, raising interest rates is not the only tool at the bank's disposal. It could join the US Federal Reserve and the Bundesbank in selling dollars in the foreign exchange markets. With reserves of $90bn at the end of August, the Bank of Japan is not short of resources.

On Tuesday and yesterday it gave a strong signal that it might intervene, by telephoning foreign exchange dealers to ask for price quotations, but did not make any sales. Moreover, Mr Kiichi Miyazawa, the Finance Minister, went out of his way to dismiss the idea that Japan might intervene, saying exchange rate moves should be left to market forces.

The apparent difference in policy between Japan on the one hand and the US and West Germany on the other has been seen as a split between the industrial powers. But some traders believe Japan may be holding back for fear intervention would provoke a dangerously quick fall in the US currency. This is reinforced by the fact that it is widely thought in Tokyo that the dollar's strength is temporary – bad US trade figures at the end of the year could send it back to the Y125 level.

Whatever the reason, the Bank of Japan is sitting tight. Mr Taizo Taya, senior economist at Daiwa Research Institute, an affiliate of Daiwa Securities, said yesterday the central bank would probably intervene at Y137-Y138. It would only raise the discount rate if intervention failed and the dollar rose to Y140, and if Japanese wholesale prices started rising. For the moment they are still falling, for all the fears of inflation.

Malaysian judge quits tribunal

By Wong Sulong in Kuala Lumpur

Tun Salleh: top judge

THE chairman of a Malaysian royal tribunal investigating charges of misconduct against five suspended court judges yesterday disqualified himself, after refusing to do so earlier.

Malaysian lawyers say the disqualification of Tan Sri Yeop Sani could have a significant bearing on the final outcome of proceedings.

When it was announced last month that Sultan Mahmood Iskandar, the Malaysian king, had consented to the appointment of Tan Sri Yeop as tribunal chairman, the Malaysian Bar Council raised strong objections. It pointed out he was involved in the events that led to the suspension of his fellow judges.

It had asked him to join an emergency sitting of the Supreme Court on July 2 that tried to stop an earlier tribunal from submitting a report to the king on the alleged misconduct of the country's most senior judge, Tun Salleh Abas.

He had refused, saying it would be tantamount to "staging a revolution". He later said he had meant this as a joke, and went on to accept the chairmanship of the second tribunal. The report by the first tribunal was subsequently presented to the king, who ordered Tun Salleh to be sacked as Lord President of the Supreme Court last month.

When the second tribunal began its hearing last Monday, the five suspended judges immediately challenged Tan Sri Yeop's appointment. The proceedings were adjourned, and Tan Sri Yeop decided to step down yesterday, to make way for Tan Sri Edgar Joseph, a high court judge. Lawyers for the five suspended judges said they had no objection to his appointment.

The tribunal's proceedings will resume today. It is closed to the public. If found guilty, the five suspended judges are likely to be sacked.

Arafat put under pressure from all sides

Andrew Gowers in Geneva and Tony Walker in Cairo on options for the PLO chief

MR YASSIR Arafat, Chairman of the Palestine Liberation Organisation, has embarked on a flurry of diplomatic consultations in an effort to muster support for plans to form a provisional Palestinian government and to declare an independent state in the Occupied Territories.

However, Mr Arafat faces significant obstacles in his efforts to fashion a political programme for the PLO, and there is considerable scepticism in both Western and Arab circles over his organisation's ability to meet the challenge it is now facing.

Mr Arafat plans, in the next several weeks, a hectic round of meetings and speeches to give an impression of "movement and visibility", as one Western official put it. The PLO leader is due next week to address a gathering in Cyprus of foreign ministers of non-aligned states, and in the middle of September he is scheduled to go to Strasbourg for a speech to the European Parliament.

PLO officials say Mr Arafat may address the UN General Assembly, which opens in New York this month, but UN officials are not certain he would be given such a forum.

The PLO chief, who met Mr Javier Perez de Cuellar, the UN Secretary General, at the weekend, was described by an official familiar with those talks as being "in a sweat" over the way ahead for the PLO: it has rarely been faced with such a delicate and difficult task.

King Hussein of Jordan's announcement on July 31 that he was relinquishing legal and administrative responsibilities for the West Bank and Gaza Strip to the PLO as the sole legitimate representative of the Palestinians has presented Mr Arafat with a huge challenge, the dimensions of which are now becoming apparent.

Among various options being considered by the PLO is to ask the UN to revive the 1947 partition plan which led to the establishment of the State of Israel. The Arabs rejected the partition, which envisaged Arab and Jewish states alongside each other, and a "Special International Regime" for Jerusalem.

Another strand in PLO thinking is to ask that UN resolution 242 of 1967 be redrafted to include specific reference to Palestinian rights to self-determination. The PLO has always objected to the resolution because it does not address Palestinian claims to statehood, treating the problem as merely one of refugees.

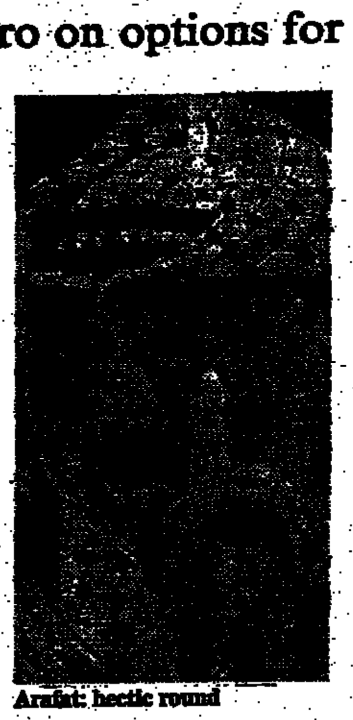
Western states and moderate Arabs have long urged the PLO to endorse resolution 242 which would imply acceptance of Israel. The resolution calls on Israel to withdraw to pre-1967 war boundaries.

The PLO chairman needs to forge a strong consensus behind a new political programme that would attract widespread international support. This would require unambiguous acceptance of Israel's right to exist behind secure pre-1967 war boundaries.

Observers in Middle East capitals recall his difficulties reunifying dissident PLO factions with his own Fatah mainstream group at a meeting in Algiers last year of the Palestine National Council (PNC) – the Palestinian parliament-in-exile.

One of the conditions for the two largest PLO splinter groups – the Popular Front for the Liberation of Palestine (PFLP) and the Democratic Front for the Liberation of Palestine (DFLP) – to reunify with Fatah was Mr Arafat's agreement to renounce an accord with King Hussein in February, 1985 which implied acceptance of Israel.

A indication of disagreement within the PLO over the course to follow is the fact a meeting of the PNC, which was to be held in Algiers this month, has now been put off until late October, and may slip further. PLO sources say that while there is strong support in the organisation for a provisional government, representatives of factions on the left of the organisation are not persuaded that now is the time to embrace a two-state solution (acceptance of Israel alongside a Palestinian state) to the Arab-Israeli dispute.



Arafat: hectic round

In the meantime, Mr Arafat is under pressure from almost all sides – Arab moderates, Palestinian leaders in the Occupied Territories and Western governments – to fashion, in effect, a new PLO that would more emphatically represent Palestinian aspirations.

The PLO chairman must be concerned that prevarication or, worse, a damaging split in the organisation, may weaken his hold on a movement he has led since 1969. The growth of a new underground Palestinian leadership in the West Bank and Gaza, while it owes its allegiance to Mr Arafat, has shown itself impatient for results.

Western officials, who were initially optimistic about the possibility of the PLO "putting its house in order", are now voicing reservations. "The more I think about this, the more sceptical I become," said one such official in Cairo.

The Egyptians themselves, who are seeking to play a "catalytic" role in encouraging the PLO to declare a provisional government and unveil a new political strategy, are counselling caution. Egyptian officials want to avoid any possibility of a split in PLO ranks.

They also want to be sure that, if Mr Arafat were to embark on an adventurous new course that would involve accepting Israel's existence, agreement would be forthcoming from Western governments, including particularly the US, and that they would be prepared to deal with the PLO and to bring pressure to bear on Israel to follow suit. "The Egyptians," said a Western official, "are anxious not to let the PLO run too far ahead of the game."

N Korean debt plan unlikely to go ahead

By Stephen Fidler, Euromarkets Correspondent

A CONTROVERSIAL proposal envisaging the eventual waiving of 70 per cent of the commercial bank debt owed by North Korea's foreign trade bank is unlikely to go ahead, following strong opposition from most lending banks.

Morgan Grenfell, the UK merchant bank which negotiated the deal and leader of one of two syndicates of international bank lenders to the country, has said it can no longer recommend that other banks support the proposal.

This is largely because of the fear that banks which went ahead with the deal would risk becoming embroiled in a legal battle with dissenting banks led by Australian and New Zealand Banking Group, which heads the other main lending syndicate.

ANZ has been joined by Royal Bank of Canada and Credit Commercial de France in a "co-ordinating committee" to lead the roughly 70 per cent of banks which opposed the Morgan Grenfell proposal. However, no response has so far been forthcoming in the committee's attempts to open up new talks with North Korea directly.

The Morgan proposal called for a new agreement under which the $900m loans to the foreign trade bank would be taken over by another North Korean institution, the Korea Daesong Bank, and given an explicit government guarantee. If the Daesong kept to a new schedule, under which it would repay 30 per cent of the loans over a three-year period, the rest of the debt would be waived.

However, Morgan Grenfell believes this proposal could still be used as the basis for a settlement with the North Koreans, perhaps involving the purchase of $270m of zero-coupon bonds by the North Koreans to collateralise principal. Morgan had planned to call a meeting of all the 120 or so lending banks in the two syndicates to discuss the situation, but so far ANZ has declined to pass on this request to its syndicate.

Mandela moved to clinic

By Jim Jones in Johannesburg

MR NELSON Mandela, the black South African nationalist leader, has been discharged from hospital and transferred to a clinic to convalesce, raising expectations that the Botha Government is planning to release him soon.

However, Mr Ismael Ayob, Mr Mandela's attorney, says he does not believe transfer to the Constantiaberg clinic in Cape Town represents "anything significant".

Mr Mandela, who has been imprisoned for 26 years, has been having treatment for tuberculosis at Cape Town's Tygerberg hospital for three weeks. After his discharge late on Wednesday evening, hospital officials said he no longer needed hospital treatment but did need aftercare.

Though he has been transferred to the privately-owned clinic, Mr Mandela remains a prisoner. None the less, the fact that he has not been returned directly to Pollsmoor prison is seen here as indicating the Government intends releasing him in stages.

The Government is eager to free Mr Mandela, fearing black reaction should the 70-year-old black leader die in prison. However the decision lies with President Botha, who is in a dilemma of his own making over Mr Mandela's refusal of conditional release and his refusal to renounce violence.

Monsoon floods hit Bangladesh

MILLIONS of Bangladeshis are stranded by monsoon floods that have killed at least 350, and many will die from hunger or disease unless foreign assistance comes soon, Reuter writes from Pabna, Bangladesh. "The Government is mobilising whatever it has to help the flood victims but its efforts must be supplemented by aid from friendly countries," Mr Mahbubur Rahman, the Information Minister, told West German and United Arab Emirates ambassadors.

Pakistan pledges to enforce budget cuts

By David Housego, recently in Islamabad

PAKISTAN is seeking to reassure the international financial community that it will still implement promised cuts in the budget deficit as part of a new borrowing package from the IMF.

But both the death of President Zia ul-Haq, and concessions that already had been made to business over new taxation, have inevitably raised doubts as to whether the big reduction in deficit financing promised in the budget can be achieved.

The budget presented two months ago by Dr Mahbub ul-Haq, the Finance Minister, foreshadowed a cut in the budget deficit from 8.6 per cent of GDP to 5.4 per cent. This was to be achieved by Rs20.3bn (£668m) of savings including a Rs13.2bn rise in taxation. These stringent measures were brought in against a background of creeping bankruptcy in the public finances with interest payments on government debt and defence absorbing almost 80 per cent of government expenditure.

The World Bank expressed its approval by releasing an agricultural sector loan for $200m. The Asian Development Bank is expected to go ahead with a loan for a further $200m and the IMF with a stand-by credit for $400m. But an IMF team is expected in Islamabad this month to negotiate a further $500m structural adjustment fund loan.

Dr Mahbub ul-Haq plays down the concessions he has made in response to the protests of the business community at the sharp increase in taxation. He says the net concessions amount to only $500m. He also says that the new President, Ghulam Ishaq Khan, has emphasised that he wants continuity in budget policy and has cautioned against making further tax concessions.

President Ghulam Ishaq is a former Finance Minister himself, but one whose known personal differences with Dr Mahbub raised questions about the political future of the Finance Minister.

The President's expression of support for Dr Mahbub does not remove all uncertainty over the budget. This is because Parliament was dissolved when the budget was prepared, and it will thus still need approval by the new assembly due to be elected in November.

Egypt and IMF resume talks

By Tony Walker in Cairo

EGYPT and the International Monetary Fund are due today to resume difficult negotiations on a new economic reform programme amid signs of increasing pressures on the Egyptian economy.

Worries about rising prices and foreign exchange shortages are certain to cast a shadow over this latest round of talks in a stuttering process that has been going on for most of the year.

Egypt is under pressure to conclude a new agreement with the IMF to enable it to return to the Paris Club for a second round of rescheduling of its mountain of government and government-guaranteed debt. Egypt and its mainly Western creditors agreed in May 1987 to reschedule some $8bn of debt. The standard 10-year rescheduling covered arrears plus payments falling due between January 1987 and the end of June 1988.

The IMF, the World Bank and donor countries such as the US have been pressing Egypt to hasten reforms of its debt-burdened economy. Egypt is being asked to increase energy prices further, and raise interest rates to encourage savings and restrain the budget deficit which last financial year reached about 19 per cent of gross domestic product.

A senior Egyptian official said it was unlikely the talks beginning today would lead quickly to agreement on a new programme. He said the meetings would be part of a "further round of consultations" on proposed reforms. The May 1987 IMF agreement collapsed late last year after Egypt failed to increase prices and reduce expenditure in line with undertakings it had given.

A drying up of government-backed and commercial credits available to Egypt is adding to pressures on the Egyptian Government to conclude a new agreement with the IMF to facilitate another round of rescheduling. However, fears of social unrest caused by IMF-inspired price increases constitute a large barrier in the way of an early agreement.

Iran 'indoctrinated POWs'

By Andrew Gowers in Geneva

IRAN HAS used "mental pressure" to turn about 20 per cent of the estimated 70,000 Iraqi prisoners of war it is holding into religious fundamentalists loyal to Ayatollah Ruhollah Khomeini, the Iranian spiritual leader, according to a report published by the United Nations yesterday.

The report, prepared during a two-week visit by a UN team to prisoners in both Iran and Iraq, warns that riots may break out among indoctrinated prisoners as the planned exchange of captives under the UN Security Council's Gulf ceasefire resolution begins. It is a graphic illustration of the difficulties facing the Geneva-based International Committee of the Red Cross when it takes over the task of repatriating prisoners, as it has been asked to by the UN.

The team's finding lends some support to Iraq's claim that significant numbers of Iraqis held in Iran as a result of the eight-year Gulf war have been brainwashed by their captors.

While stopping short of using the word "brainwashing", it speak's of Iran's use of a form of "spiritual guidance" which "is indistinguishable from mental pressure".

"The results of this treatment are striking," it goes on. "In each camp we visited there were fanatic, hysterical and sometimes violent demonstrations by the prisoners. They chanted slogans against [Iraqi President] Saddam Hussein, against the superpowers and in favour of Islam and Ayatollah Khomeini. Flags of the US and Israel were burned."

The report said Iran had not complied with the recommendation of an earlier UN report which said pro-Iranian and pro-Iraqi prisoners should be kept separate after riots in which several were killed.

Among the estimated 35,000 Iranian prisoners in Iraq, the UN team found no evidence of systematic indoctrination by the Iraqi authorities.

Jerusalem Post faces challenge

By Andrew Whitley in Jerusalem

AN UPSTART challenger to the venerable Jerusalem Post and its half-century near-monopoly of English-language journalism in this corner of the world hits the news stands today. Not that many potential readers or newsagents know what they are getting yet, so low-key has been its launch.

A 32-page tabloid sporting colour on its front and back pages, The Nation claims to be the first desk-top computer-published newspaper in the world. "There is no other paper in the world like this," declares Mr Hesh Kestin, a former Forbes Magazine journalist, its editor and publisher.

For the first month it will appear as a weekly, with a projected circulation of 30,000-40,000, before going daily. But pessimists are predicting the newspaper's demise within three months.

"In the long run there is no room for two English-language newspapers," said Mr Ari Rath, managing director of The Jerusalem Post. His own, well-respected publication is kept in the black only by its overseas edition and outside publishing.

Unlike the Labour-affiliated Post, The Nation insists it will not be associated with any political party; a rare boast in a country where most publications serve as the mouthpiece for sectarian interests. As evidence, there will not even be an editorial.

Burma's president rejects calls for party to quit

By Richard Gourlay in Bangkok

PRESIDENT Maung Maung of Burma yesterday rejected calls for the ruling party he nominally leads to relinquish power and set up an interim government before democratic elections, despite some of the largest marches and strikes since nationwide protests began a month ago.

In a speech on Radio Rangoon, U Maung Maung said the Government could not constitutionally concede to any more of the public's demands. Last month, after huge demonstrations, he called a special party congress for September 12, at which he said a referendum on multi-party democracy would be discussed. He said there was nothing wrong with government policies, only with the way they were implemented.

The speech followed a day of public marches and strikes that included workers from most government offices and corporations, diplomats in Rangoon said. A group from the Defence Ministry joined the march behind a banner explaining who they were. And they issued a statement, similar to one earlier this week from the Foreign Ministry, calling for an end to military-dominated one-party government.

UK NEWS

British experts had checked ship's toxic cargo

By Richard Donkin

A UK Atomic Energy Authority team inspected the poisonous cargo of the Karin B waste ship in June, it emerged yesterday.

On Tuesday, Mrs Virginia Bottomley, the junior Environment Minister, said that one reason the ship was being refused permission to unload its cargo in Britain was that its composition was not known.

Yesterday Mr Ted Finnecy, the scientist who led the team of three from the Atomic Energy Research establishment at Harwell, said he had examined the consignment of waste at the Nigerian port of Koko at the same time as consultants engaged by Friends of the Earth and a third team from the United States Environmental Protection Agency.

He had gone there after the Nigerian Government asked for British Government assistance to establish the contents of the cargo. His technical report had been submitted to the Overseas Development Administration.

Mr Finnecy criticised the Government's reaction in turning away the Karin B as a political move that "had not contributed to good management of the waste. It encourages everyone else to reject it," he said.

"We cannot just leave this ship floating in the sea forever. We have to think of the crew. It is not something we should have washed our hands of. A little bit of the mud may still be sticking."

The Italian Government was last night facing yet further difficulties in its attempts to find a haven for the Karin B's cargo.

The Dutch authorties said yesterday they had told the Italian ambassador to the Netherlands on Wednesday that the Karin B could not dock at a Dutch port. Britain, France, West Germany, Italy and Spain have already turned away the ship.

Italy had not formally asked permission for it to dock in the Netherlands.

Non-union companies 'outperform the rest'

By Philip Bassett, Labour Editor

COMPANIES which do not recognise trade unions outperform unionised companies financially, especially those with closed shops, says a study.

The London School of Economics study indicates for the first time the impact of trade unions in Britain on wages, jobs, productivity and profits. It finds that in these areas unionisation is associated with poorer economic performance.

The study, by Professor David Metcalf, comes at a sensitive time for unions. Next week the movement seems certain to split when the Trades Union Congress expels the EETPU electricians' union.

The study's findings draw on academic surveys and include details on:

Profits: Non-union establishments are more likely to report superior financial performance than workplaces where unions are recognised for collective bargaining. The probability of above-average performance in non-union companies ranges up to 67 per cent, compared with 51 per cent for those which recognise unions.

Productivity: Unionisation is associated with lower labour productivity. At best it has no effect. The effect is greater in larger companies.

Jobs. Previous UK Government-sponsored studies have suggested that non-union companies have seen greater employment growth, though subsequent research doubted the effect.

The LSE uses evidence to rebut this, suggesting that even after careful statistical control, unionism retarded employment growth in Britain in the 1980s.

Post union defers more action, calls for talks

By Michael Smith, Labour Staff

POST workers' leaders last night postponed plans for further industrial action after appealing to the Post Office for talks aimed at resolving a dispute over bonus payments.

However, thousands of workers in several large cities across Britain had still not returned to work last night following Wednesday's strike, which was originally planned for 24-hours only. Most were protesting at the Post Office's use of casual workers to clear up the mail backlog.

Mr Alan Tuffin, general secretary of the Union of Communication Workers, said in a letter to Sir Bryan Nicholson, Post Office chairman, that any talks would have to be without prior conditions being set by either side. "Further action would be suspended if unfettered talks were to take place," he said.

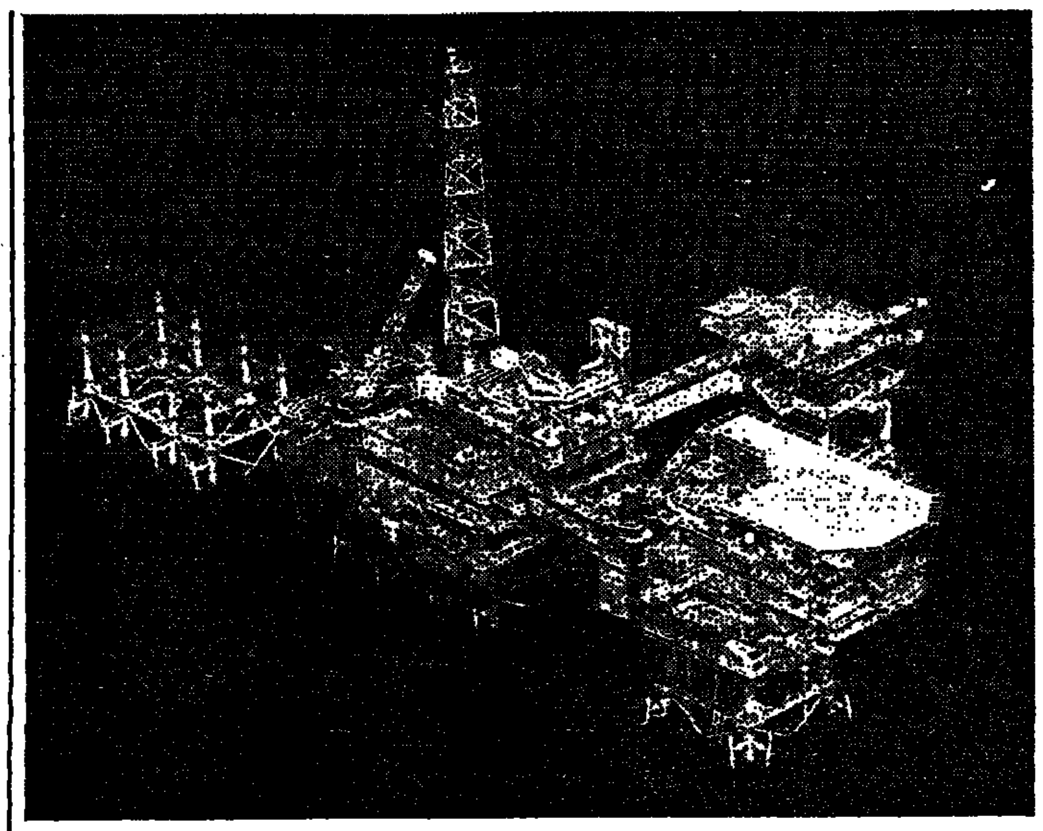
Mr Tuffin said later that the union would issue no further instructions ordering industrial action until it had received Sir Bryan's response. No time limit had been set.

The Post Office said that Mr Tuffin's position did not appear to have changed. It was, however, seeking clarification from the union about the contents of the letter.

The union's strike committee yesterday decided on the next industrial action it will order, assuming that talks make no progress. Options include more 24-hour national strikes, overtime bans and selective strikes by areas or groups of workers. The union refused to say which of these it is planning.

Although the vast majority of the 140,000 staff who struck on Wednesday were back at work yesterday morning, workers in more than 15 towns and cities stayed out with full backing from the union's executive.

The national dispute is over the Post Office's introduction of pay supplements for new staff in areas where recruitment is difficult. Although it has offered to withdraw the scheme it wants to replace it with a similar scheme which would also incorporate the regional pay variations to which the union is objecting.



MRS MARGARET THATCHER, the Prime Minister, yesterday inaugurated a gas terminal on the East coast of England, which will eventually handle some 20 per cent of Britain's gas requirements, or 2bn cubic feet a day, Steven Butler writes.

The terminal, at Theddlethorpe, Lincolnshire, operated by Conoco, the US oil company owned by Dupont, receives gas from a group of fields about 75 miles offshore which are known collectively as the 'V' fields. A total of nine platforms were built, including the central gas gathering station pictured above, for an estimated final cost of £632m, which is £133m under budget.

The lower cost has been achieved in spite of the need for additional development drilling because of poor reservoir performance in several cases.

The complex is probably one of the safest offshore production facilities. Five satellite platforms are unmanned, while at the gas gathering station, separate platforms have been constructed for accommodation, production and metering, and wellhead equipment.

Compression facilities are to be added to another platform by 1990, as reservoir pressure declines.

The multiple platform structures at the gas gathering station were made economically feasible by the relatively shallow water, at 21 metres. In deeper water, a single structure would likely have to support all facilities.

Deliveries to British Gas are contracted to begin on October 1.

Former GM truck operation to re-enter British market

By John Griffiths

AWD, formerly the General Motors-owned Bedford truck operations based at Dunstable, is re-entering the mainstream UK truck market from today.

A 47-strong UK dealer network is already in place and one will also be set up on the Continent next year, Mr David J.B. Brown, AWD's chairman, said yesterday.

Mr Brown, who bought the Bedford truck operations from GM at the start of last year for a reputed £20m, said yesterday that part of the 67-acre Dunstable site was to be sold for an estimated £20m. This would also save the company a further £4m in overheads.

The sales proceeds are to be ploughed back into the business with a £20m investment programme.

Despite the property sale – which included some 900,000 sq ft of Bedford's 2.6m sq ft plant – AWD is retaining the capacity to build 20,000 trucks a year on a single shift.

"We might not need it now," said Mr Ron Hancock, the former Leyland Vehicles chairman who is now AWD's managing director, "but the day could come."

About 1,000 of this year's AWD production is to be of civilian trucks in the 6.5-17 tonnes range and are launched today as 'TL' models – the same designation formerly used by Bedford itself.

Japanese groups in tendering list for rail workshops

By Nick Garnett

JAPANESE GROUPS, believed to be Mitsubishi and Kawasaki, which include train manufacture among their operations, have shown an interest in purchasing British Rail Engineeing (Brel) from the Government.

They are among 12 companies invited this month to tender for the business which employs 7,500 people at four locomotive and rolling stock production and repair sites.

The other companies are thought to include General Motors of the US, which has tried in the past to sell locomotives to British Rail, three UK groups and a number of Continental European train makers.

The favourite to win Brel is a grouping made up of the management and workforce, Trafalgar House and Asea Brown Boveri (ABB), the Swedish-Swiss electrical engineering group.

Mr Percy Barnevik, ABB's president and chief executive, said yesterday that his company had signed a letter of intent with Trafalgar to make a formal bid.

The arrangement would involve the management and employee consortium holding at least 51 per cent of the business with ABB and Trafalgar owning equal minority stakes.

The Mitsubishi/Kawasaki involvement provides further evidence of the desire of Japanese groups to obtain a production foothold in the fragmented train making industry in Europe. The industry boasts at least 16 mainstream locomotive makers and already appears to be on the verge of an ownership reshuffle.

Mitsubishi, which is *bidding* for two contracts for locomotives and high speed trains in Spain has offered to purchase Caf, a Spanish rail equipment maker.

Cadbury Schweppes advances by 28%

By Lisa Wood

CADBURY Schweppes, the confectionery and soft drinks group, yesterday announced pre-tax profits of £81.7m for the half year, an increase of 28.5 per cent on the same period last year.

The result was at the top end of analysts' estimates for the six months to June 18 and several upgraded their forecasts for the full year to between £215m and £220m.

Sir Adrian Cadbury, chairman of Cadbury Schweppes, in which General Cinema, the US group holds an 18.3 per cent stake, said he had confidence in the outturn for the year.

Earnings per share, at 8.97p showed a 29.8 per cent rise on last year but this included a one-off change in accounting for Advance Corporation tax with Cadbury stripping out an underlying rise of 18.4 per cent. An interim dividend will be paid of 2.40p per share, up 14.3 per cent on last year's 2.10p.

An extraordinary profit of £29.8m was derived from the sale of half of Cadbury's 34.4 per cent stake in Dr Pepper, the US drinks group which merged with Seven Up.

Total sales at £1.063bn showed an increase of 13.9 per cent with the trading profit, at £89.2m, up by 34.3 per cent on the same period last year. Seventy per cent of the trading profit gain came from established businesses, the balance from a number of acquisitions including Poulain in France, Beatrice in Australia and Red Cheek in the US. Group trading margins improved worldwide from an average of 7.1 per cent last year to 8.4 per cent.

Confectionary sales, at £481m accounted for 45 per cent of sales but £51.1m of the trading profit, some 57 per cent of the total.

Cadbury described its deal in the US with Hershey – to which it has sold its confectionery assets for $300m and licensed its brands – as a "pragmatic, market driven solution."

Lex, Page 16

Apple and the art of communication.

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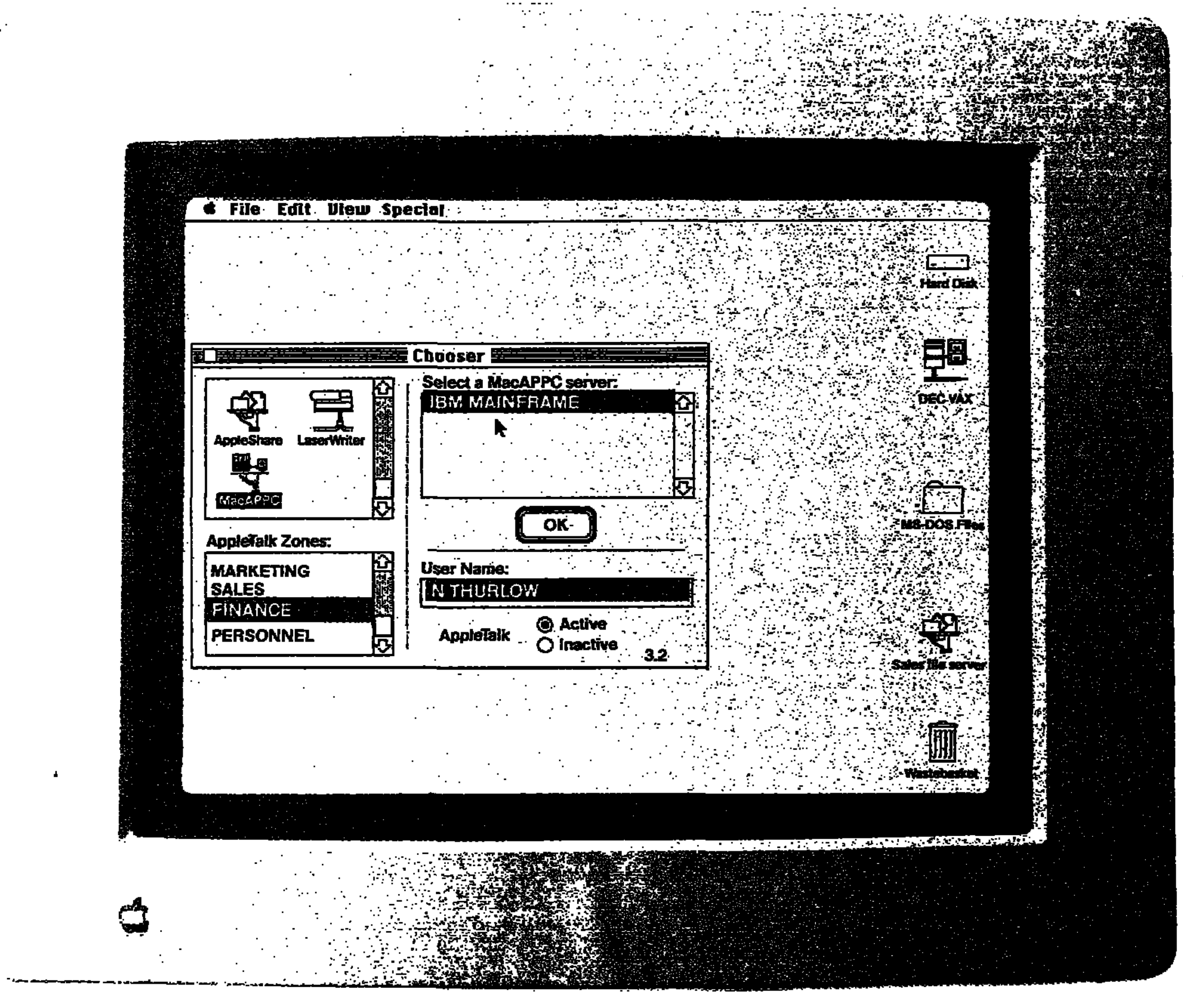

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all understand. Instead of the mumbo-jumbo of conventional personal computers, it uses easily understood words and symbols such as files, folders and menus which, with the help of a mouse, speeds and simplifies operating. That's the bright side of the coin.

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But consider this: Computer fraud is just the tip of a £5 billion fraud iceberg.

It is a fact that the majority of frauds are committed by disgruntled employees. That 75% of all frauds are for sums no more than £25,000. And that most frauds are discovered by accident or by tip-offs.

Unfortunately it is also true that many companies seem to have adopted a 'head in the sand' attitude to the whole problem.

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UK NEWS

Air transport system 'faces risk of choking'

By Lynton McLain

CONGESTION AT airports in Europe, North America and Australasia which handled half of all passengers would mean the imposition of restrictions on aircraft numbers by the end of the century.

This would constrain the development of air transport over the long term, Mr Stuart Iddles, senior vice-president (commercial) of Airbus Industrie, said in London yesterday.

He told a *Financial Times* conference on commercial aviation that airlines faced problems and restrictions that could "easily choke the air transport system long before the end of the century."

By then, 24 airports in Europe, 59 airports in north America and between 12 and 15 airports in Australasia "will be movement limited". These airports handled around 55 per cent of all passengers. Already the air traffic control system is approaching saturation in key areas, he said.

In the US last year, delays caused airlines to lose the equivalent of almost 100 days in aircraft operating time every day. Mr Iddles said that based on a typical 10 hours per day use of each aircraft, the losses implied that the airlines had to add 235 aircraft to their fleets simply to compensate for the delays.

Eighty per cent of these delays were air traffic control problems, including weather and an excess volume of air traffic.

Problems at airports cost US airlines $2bn, or 4 per cent of revenue last year. This exceeded the total airline industry profits in any single year. Every US flight suffers from an average delay of 15 minutes.

The problems were not confined to the US. In the first quarter this year, half of Lufthansa's passengers were delayed, through no fault of the airline.

Other problems for airliner manufacturers included cash flow considerations. These were certain to limit new civil aircraft programmes on each side of the Atlantic to about one new project every seven to 10 years. Europe had launched five new major aircraft types in the past 19 years, as Europe caught up with ground lost to the US airline manufacturers. Boeing had launched three new programmes in the past 20 years.

Mr Iddles said a full range of airliner products was essential to help airline customers and to long term success for the manufacturers.

Mr Reinder van Duinen, a member of the board of the Fokker aircraft company in the Netherlands, said the outlook for the next 11 years to the end of the century in commercial aviation was for "uncertainty and turbulence". Low profit margins would remain in the industry as a result of intensified competition.

The aviation business was "extremely marginal", he said. "The 172 members of the International Air Transport Association rarely make enough profit between them in a year to buy more than one Boeing 747. Last year's combined net profit was unusually good; they could have purchased half a dozen 747s with it."

He said the airframe and engine manufacturers fared even worse than the airlines. Six of the major manufacturers showed a net profit margin of 1.6 per cent last year between them. "Much of that profit came from government and military business."

Only the leasing companies were "riding high", with International Lease Finance Corporation making a 28.5 per cent profit margin last year.

Profit margins in airlines were tending to deteriorate further as increasing competition put pressure on market share and yields, just as huge investments were being made in new aircraft.

There were 7,000 jet aircraft in the world fleet last year. Fokker estimated that this number would rise to 11,000 by 2000. One US analyst estimated that airlines would spend $339bn on new airliners between 1988 and 2000.

The bill for jet aircraft delivered this year would come to $18.5bn. By the late 1990s, airlines would have to find more $30bn a year.

The industry faced pressure on profits, huge financial commitments and widening competition, yet the airlines remained one of the few industries which were expected to grow in real terms almost ad infinitum, he said.

Mr Sydney Gillibrand, the managing director of the civil aircraft division of British Aerospace said the company was optimistic about new opportunities in Eastern bloc countries. The BAe 146 had already been sold to China. "We may not sell hundreds of aircraft to the east, but glasnost has opened the way for co-operation."

Dublin set to win talks with King on violence

By Michael Cassell, Political Correspondent

THE BRITISH Government yesterday appeared ready to accept the request from Dublin for an early meeting of the Anglo-Irish conference to discuss the latest upsurge in violence in Northern Ireland.

Mr Charles Haughey, the Irish Prime Minister, called for the unscheduled meeting on Wednesday night and it is likely that Mr Tom King, the Northern Ireland Secretary, will agree to meet Irish ministers as early as next week.

The situation in the province, and in particular the shooting earlier this week of three IRA members in County Tyrone, is expected to be raised at a meeting today of the Irish cabinet.

Anxiety is mounting in Dublin after the latest shootings that Whitehall has opted for increased deployment of undercover troops among new security measures designed to cope with the recent escalation in violence.

Although the Irish Government sees enhanced security as being of key importance in curbing terrorism, ministers will press for greater political advances and re-emphasise their readiness to be involved in any new initiatives.

A big security operation will be mounted in Northern Ireland today for the funerals of two of the IRA men shot dead on Tuesday.

Extra police were drafted in to Loughmacrory, Tyrone, where the funerals of Mr Gerard Harte and his brother Martin will take place. Security forces are determined to prevent the IRA from turning the burials into a paramilitary show of strength.

● Two suspected IRA terrorists were being held in a top security prison in West Germany today after being arrested in connection with recent bomb attacks at British Army bases.

The two men were named as Mr Gerard Thomas Hanratty and Mr Terence Gerard McGeough, both 29. The German Chief Federal Prosecutor's Office said they were suspected of taking part in two bomb explosions in Duisberg and Düsseldorf and of attempted murder. Twelve British servicemen and a German civilian were injured in the blasts.

The terrorists who planted the recent series of bombs at British bases and shot RSM Michael Heakin in Ostend almost three weeks ago are believed still to be at large.

Policy condemned as inefficient way of supporting farmers

CAP that fails to fit European consumers

By Bridget Bloom, Agricultural Correspondent

BRITAIN'S National Consumer Council yesterday billed its new report as "the most comprehensive, damning and controversial indictment of the European Community's Common Agricultural Policy ever produced by a consumer organisation".

Putting the hyperbole aside – for there is little new in the criticism of the CAP which the Government-appointed consumer body has to offer – the NCC may well be right. One of the most notable features of the current debate on the reform of Europe's farm policy is the hitherto virtually non-existent role of the European consumer.

There are some obvious reasons for this. Consumers as a body are much less easy to organise than farmers, while particularly in the rich, northern and politically influential countries of the EC a relatively small proportion of the family budget is spent on the high-priced food which the CAP supports.

In other parts of the Community, such as Greece, where nearly 40 per cent (compared to the EC average of 18 per cent) of the weekly household bill goes on food, consumers are even less well organised.

Nevertheless, as the NCC report shows, while the major criticism of the CAP in the past few years has concentrated on its budgetary cost, its hidden costs are much larger. And these are mainly borne by the consumer.

The NCC is highly critical of the CAP for its effect on the consumer, as well as for being an inefficient way of supporting farmers and for diverting funds from other EC sectors.

Its judgment of the CAP's economic effects on consumers relies heavily on a number of existing studies undertaken in the UK, in Australia and by the OECD in recent years. It rightly enters caveats about the conclusions: all the studies, for example, judge the effects of the CAP against the completely free trade (or effectively no policy) alternative.

However, all the studies quoted by the NCC indicate the relative size of the problem. Compared to this year's budget cost of the CAP of Ecu 27bn (about £18bn), the consumer cost of the CAP to the Community of 10 in 1984 was estimated by a British study to be Ecu 42.5bn.

The Australian Bureau of Agricultural Economics has shown consumer costs, at 1982 prices, ranging between Ecu 12.3bn in 1974-5 and Ecu 42.5bn in 1978-79. The OECD, using a measure called the consumer subsidy equivalent, estimated that annual consumer costs for 1984-86 exceeded Ecu 50bn "or £122 a year per man woman and child" in the Community of 10.

The NCC's answer to the CAP's inefficiencies is to call for radical reform. It would, for example, abolish one key aspect of the CAP, price support for the commodities farmers produce, and replace it with direct cash income aids. But it rightly says that no fundamental reform of the CAP is likely to be possible without an equally fundamental reform of the decision-making process on farm policy within member states.

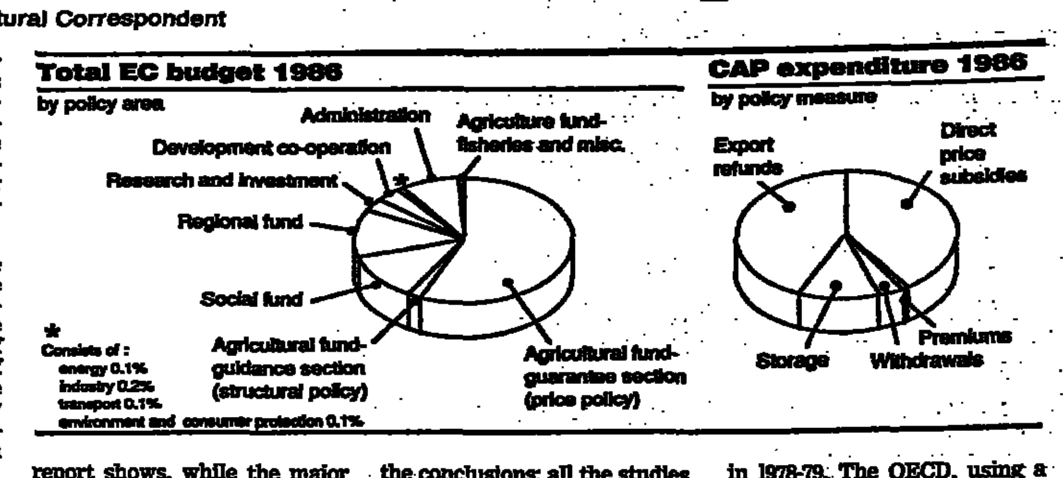
In that process, as it notes, farmers' organisations have a powerful role while consumers have at present virtually no role at all.

Ironically, perhaps, the most useful new contribution of the NCC to the continuing debate on agricultural reform is to provide, in considerable detail, evidence of the weakness of European consumer movements.

It is clear, the report says, that despite national variations "nearly all EC governments are under great pressure from the agriculture lobby which wields political power. In contrast to the effectiveness of the farming lobby, organised consumer representation appears weak and disparate."

"Consumer organisations are not single-issue bodies, unlike farming unions. They have to cover a wide range of consumer issues ... they have difficulty dealing with EC issues because of the costs, the administrative problems and their relative remoteness from Brussels."

Consumers and the Common Agricultural Policy. National Consumer Council; HMSO £11.95



Scots seek to play on traditional theme

James Buxton examines efforts to capitalise on the scenic land of tartan and whisky

LORD Sanderson, the Scottish Office's Tourism Minister, bares his teeth in irritation when he contemplates the negative attitudes to new projects and the sometimes grudging service that afflict parts of Scotland's tourist industry.

"We can't afford to have a sales prevention officer attitude to tourism in Scotland," he snaps. "But in some areas it seems to go against the Scottish nature to sell Scotland."

The Lord, a Conservative businessman who entered government last year, is trying to pull together what has often been a disparate government effort to develop tourism north of the English border.

The signs are that much of Scotland is having a good tourist season this year. The Glasgow Garden Festival for example, which started with two of the sunniest months Scotland has seen for years, is already within a hair's breadth of meeting its target of 3m visitors and has another month to run.

For the longer term, some big tourist development projects are being talked about – notably golf courses and hotels – and a number are proceeding. Yet many in the industry believe Scottish tourism is not fulfilling its potential.

The number of visitor bed-nights in Scotland, consistently running at about one tenth of the British total, has fluctuated over the past decade. Visitor spending, however, has risen by a third in the past two years and came close to £2bn last year. Dr Gordon Adams, director of projects at the Scottish Tourist Board, says: "We aren't presenting our facilities as well as we might. We require more flair."

In the Highlands, tourism is held back by a shortage of attractions which give people something to do when it rains. Edinburgh has, at least until recently, been complacent about providing better facilities for its tourists. Bold projects to attract more visitors to the splendours of Stirling Castle, or to persuade people to stop on the border at Gretna Green, encounter some enthusiasm, but also sour, critical letters to the newspapers.

It is particularly important that Scotland should make the most of tourism – which already employs 135,000 people, 7 per cent of the labour force – because it could offer a product which, like Scotch whisky or Scottish knitwear, cannot be obtained elsewhere. "Scotland has an extremely strong market image, especially abroad," says Mr John Heeley of the Scottish Hotel School at Strathclyde University, "yet the performance is disappointing."

That image embraces a romantic history displayed by rugged castles and fine mansions, magnificent scenery, bracing golf courses and rushing salmon rivers, tweed, tartan and bagpipes, and cultural events such as the Edinburgh festival or Glasgow's Mayfest. "You can envisage Scotland as one big theme park," says Dr Adams.

But romantic figures like Bonnie Prince Charlie and Mary Queen of Scots, says Mr Heeley, are "done to death – every castle has a room Mary Queen of Scots slept in." On the other hand too little is done to promote existing attractions better and create new ones. Loch Lomond, he points out, has superb scenery, wildlife and even a song about it, yet there is virtually nothing there to keep visitors for more than a few minutes and give them something to spend money on.

Dr Adams says that Scotland has been slow to promote its industrial heritage for tourism: "It often seems to be too recent and politically too sensitive."

Mr Heeley points as an example to the factories and buildings at New Lanark, where the early 19th century industrialist Robert Owen made enlightened social provisions for his workers. "Until 10 years ago it was in danger of being razed to the ground and is only being developed on a piecemeal basis.

Bagpipe player: giving tradition a push

Some things are changing. The Scottish Office, through the Historic Buildings and Monuments department, is spending £6m to improve Edinburgh Castle. But while other projects are in the pipeline for Edinburgh, critics believe more is needed.

A more ambitious scheme is planned for Stirling Castle, magnificently located on a rock atop a town full of interesting sights, but a site marred by a lack of shops and by the pressure of cars and buses making their way through the narrow streets. Leisure consultants L & R have devised an £8m scheme under which visitors will ascend to the castle and the town by funicular railways.

Equally radically, they are proposing to take over managing the castle from Historic Monuments and Buildings and provide more imaginative displays and entertainment. Stirling's Labour Party council favours the scheme, but some residents oppose the funicular railways on conservation grounds – although L & R considers them essential to their investing in the project. The project raises the question of the degree to which Scotland wants to adapt its heritage

L & R have also, at the request of the Scottish Development Agency and the Scottish Tourist Board, drawn up a scheme for Gretna Green, the village on the English border once famous for solemnising runaway marriages but now almost totally bypassed by visitors. They propose a tunnrl of lovr and a visitor centre for last-minute purchases of Scottish specialities. Visitors might even be able to buy a Scottish passport and have it stamped. It has been denounced by a local councillor as "another bloody Disneyland."

Mr Eddie Friel, chief executive of the Greater Glasgow Tourist Board, believes that Scotland needs a full scale review of its tourist potential. "You can't have patchwork-quilt development. Someone's got to sit down and decide what parts of the business we want to be in, analyse our strengths and weaknesses, decide what market share we want and allocate the resources to get it."

Mr Friel, a blunt Ulsterman, speaks with some authority. He is partly responsible for probably the biggest recent success in Scottish tourism: getting the annual number of visitors to Glasgow up from 700,000 in 1982 to 2.6m last year. The opening of the Burrell art collection accounts for part of that and he claims credit for selecting and targeting markets and, through his involvement with arts organisations, persuading the city's theatres and concert halls to stagger their holidays so that Glasgow now hums with entertainment throughout the summer.

Lord Sanderson says that there is no case for a "great report" on Scottish tourism – although Scotland will be involved in the review of tourism in Britain which Mr Norman Fowler, the Employment Secretary, announced in July. But he is firmly welding together the various government bodies which promote Scotland and fund tourism development. These include the Scottish Tourist Board, the Scottish Development Agency, the Highlands and Islands Development Board and the British Tourist Authority. Between them they spend about £30m on Scottish tourism. "The tactics have been fully covered in the past," says Lord Sanderson. "This is where we work out strategy."

This consists of a mixture of government pump-priming to attract private sector investment and trying to convince more Scots that they must try to give the visitors what they want. "The other day I tried to get a bar lunch in Oban" (the pretty ferry and fishing port on the west coast) "but the place I went to told me they didn't serve them after 1.30pm. Now on a wet day in August that's just not good enough," said Lord Sanderson.

Prescott camp claim lead in Labour poll

By Michael Cassell, Political Correspondent

THE propaganda battle in the contest for the deputy leadership of the opposition Labour Party was stepped up yesterday with renewed claims that Mr John Prescott could defeat Mr Roy Hattersley in next month's ballot.

The suggestion brought a swift retort from Mr Hattersley's supporters who claimed it was based on "fantasy" and who confidently predicted victory for Mr Neil Kinnock as party leader and for Mr Hattersley as his deputy.

The Prescott camp claim was backed by a computer projection of the election result. Mr Prescott's supporters are not predicting victory but they believe the result will be close and that the next few weeks will be decisive in determining the outcome.

Mr Dick Caborne, the MP for Sheffield Central and Mr Prescott's campaign manager, said yesterday that he was more confident of victory than at any stage since the contest began. He added :"The outcome is wide open. Our chances improve by the day."

Last month, supporters of Mr Hattersley, the party's deputy leader, claimed that their candidate would comfortably beat Mr Prescott when Labour's electoral college votes on the eve of the party's conference at the north-western resort of Blackpool in October.

The Prescott camp's latest analysis suggests that Mr Hattersley is doing badly in the constituency section of the electoral college, which wields 30 per cent of college votes. It claims that the party's deputy leader will be beaten into third place by Mr Eric Heffer, who is also contesting the deputy leadership, with Mr Prescott taking nearly half the votes held by the constituencies.

Mr Prescott's support among Labour MPs, however, appears to be running at about half the level being recorded by Mr Hattersley, who looks likely to win a comfortable majority of the 30 per cent of electoral college votes commanded by members of the parliamentary party.

The key to the result will lie, however, in the hands of the trade unions, who account for 40 per cent of college votes.

Mr Robin Cook, Mr Kinnock's campaign manager, said the Prescott camp was now conceding defeat in two out of three electoral college sections.

MANAGEMENT

Employment

Now for the shock treatment

Charles Leadbeater talks to the new head of Britain's Training Commission

British businesses are about to get a shock. *His name is Brian* Wolfson, who yesterday took over as chairman of the Training Commission, the Government's job training agency.

As one would expect, Wolfson speaks with passionate commitment about the centrality of training, and skills, to the competitiveness of British industry.

It is the language of the growing and fashionable training industry. But it comes with a drive, clarity, and determination which promises to shake up the commission, employers and unions.

"Let us define the tasks, and get down to the job of really improving the way we train people, especially in employment," he says. As he enters the labyrinth of the commission's delicate tripartite consultative arrangements, governing a plethora of government schemes and initiatives, from youth training to management training and university education, it might seem a naive hope that it could be so straightforward.

But Wolfson's track record suggests he could make it that simple.

Born in Liverpool, the son of parents who were equally active in business, he left school at 16 in 1951 to start work in the family engineering firm, after his father's death. He had to give up a place at university. "I tried to study as well as work and it was not possible. It was a choice, carry on working or do a law degree. I plumped for work."

It could be his motto.

At 26 he moved to Granada, the television company, after running two engineering businesses in the north-west. Two years later he was put in charge of the company's newly founded TV rental business, and at 32 he was joint managing director of the entire business.

Three years later he parted company with Granada to set up an international cement machinery business in co-operation with a West German company. Between 1970 and 1977 he was in south-east Asia, building up the company.

He sold most of that business in 1983-84, retaining six of the cement machinery companies in far flung parts of the world, which he still manages *from his office at the Wembley* sports, conference and entertainments complex in north London.

In 1984-85 he brought together the consortium which now runs the Wembley complex, and has helped to raise the throughput of customers by 4m to 7m a year.

He has catholic interests, ranging from passionate support for Liverpool FC, to wildlife photography, art and archaeology.

His background has given him a clear view of what makes for a successful business. "My experience in all the countries I have worked in tells me that the things which mark out a successful company from an unsuccessful one, a successful country from an unsuccessful one, are the skills of the people and the way they are managed and led in business.

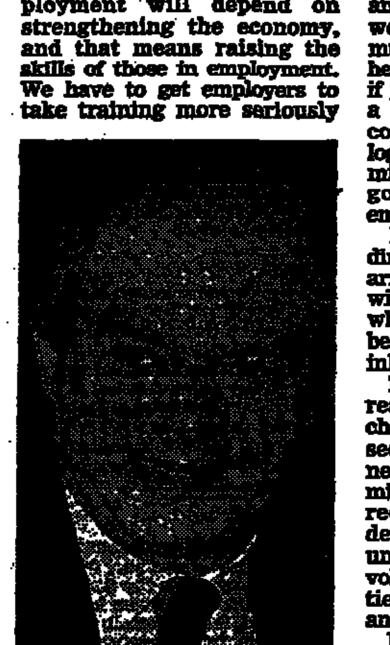
"It's not a matter of getting people qualified before they enter work, but keeping them qualified throughout their working lives. That is what we are bad at in this country." He speaks as someone with no formal post-school qualifications.

Wolfson's plan is to develop the commission as aggressively as he has developed his businesses. He will continue to work at Wembley, with the commission chairmanship as a part-time appointment. But initially he will give it as much time as it needs.

He sees two parts to the commission's future work. He regards even major programmes targeted at particular groups like the long-term unemployed as almost one off, special ventures, which will eventually become obsolete. Other programmes, like the pre-work Youth Training Scheme, will be permanent features of the labour market. He hopes to match the YTS with a similar programme for the elderly and retirees.

"It would be great if we were the first country to have a comprehensive training system for retirees to return to work with new skills in new jobs. We will need it with the downturn in the number of young people coming into the labour market in the next decade," he says.

Beyond that his main task is to redirect the commission. It began life in 1973 as the *Manpower Services Commission*, and has been responsible for developing special employment measures to help the unemployed back into work. Now, Wolfson plans to launch a second front, with a concerted campaign to improve training for those in employment.



Brian Wolfson: determined

"That is the real issue because in the long run all our attempts to bring down unemployment will depend on strengthening the economy, and that means raising the skills of those in employment. We have to get employers to take training more seriously and persuade people it is vital for them to invest in themselves," he says.

But this has all been said before, time and again. Why should Wolfson succeed?

One of the first things he plans to do is to launch a campaign of exhortation and example, distributing clear, simple examples of how companies have improved their performance.

Though this promises to be more sustained than any previous campaign, he acknowledges that exhortation may not be enough.

"Many large, internationally competitive companies are training much more than they used to. But there is a great swathe of companies which is still not training enough. Often they are small companies which simply do not have the resources to free people for training. *It is those people we* have to get to."

So the commission, with Wolfson's retail and marketing skills, plans to bring together, and to repackage, training materials from a variety of sources, to make sure they are available in a wide variety of forms – distance learning packages, courses in colleges.

If, however, exhortation, and encouragement fails, "then we will have to consider a much wider range of options," he says. The implication is that if persuasion fails, it may take a short, sharp shock to raise company performance. The logic of his position is that it might take statutory action by government to improve employers' training provision.

His energy, clarity and directness will be a shot in the arm for the commission. But it will also be a shock for a body which still works with a cumbersome culture of corporatism inherited from the 1970s.

He admits that he had not realised how political the chairmanship would be, and seems unsuited to the engineering the delicate compromises and fudges required to reconcile the conflicting demands of government, unions, employers, voluntary, voluntary bodies, local authorities, the unions, employers, and government.

He does not seem unsettled by the impending threat of a vote at the TUC to withdraw co-operation from the Employment Training programme, for the long-term unemployed. Nor does he seem daunted by the past tension between the commission and the Government over the launch of the unsuccessful New Job Training Scheme, and the design of the Employment Training programme.

He will develop his political skills, he says, with a relish for learning something new. He listens intently as well as speaking forcefully. But he has no intention of becoming a politician. His role will not be to create a consensus around policies which already exist, but to drive the commission forward.

"If they do not like the way I do it they can always sack me," he says, only half joking. He is a man used to doing it his way or not at all.

Akai: avoiding the off-button

Stefan Wagstyl on Mitsubishi's rescue of a Japanese near-bankruptcy

So many Japanese companies have been successful in the fight against the high yen that it is easy to overlook the failures. There have been no big bankruptcies to highlight the plight of the weak. No mass redundancies. Few plant closures. Nevertheless, there are companies which are making heavy losses, including a handful which have been driven to the brink of collapse.

Akai Electric, a consumer electronics company, is one of the unfortunate few. Its accumulated losses since 1985, when the yen started its relentless rise against the US dollar, total Y14.4bn (£63m).

Akai would almost certainly have gone bankrupt if it had not belonged to the Mitsubishi group, the biggest of Japan's loosely-linked industrial combines.

The group rallied around Akai in a way which dramatically illustrates how these combines work. Mitsubishi Bank and Mitsubishi Electric, two of the largest Mitsubishi companies, provided Akai with new funds and new management.

But the price of Akai's salvation has been the virtual loss of its independence. Seven of its eight most senior executives, including the president Makoto Okada, now come from outside the company. Tsuneo Ota, one of Akai's managing directors who came from Mitsubishi Electric, says: "Without support from Mitsubishi group it would have been very difficult for Akai to be reconstructed."

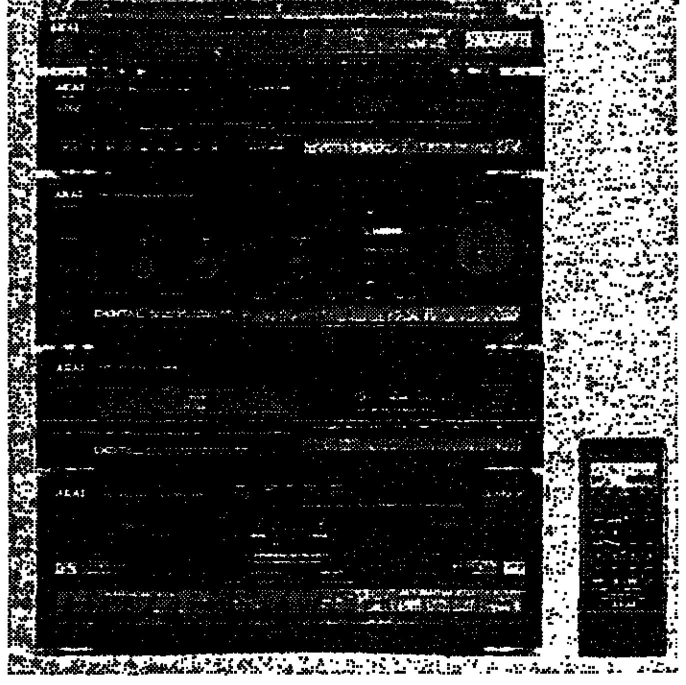
The cause of Akai's difficulties was its dependence on exports, which were 80 per cent of sales when the US dollar started falling in 1985 and had previously been as high as 95 per cent.

This excessive reliance on *overseas markets* was deep-rooted. Founded in 1929, Akai made its name after the war as a specialist maker of tape recorders. It diversified into making a range of domestic audio equipment, including cassette tape machines, and later into video tape recorders.

But Akai was a market follower, not leader, and allowed others to reap high margins on innovative products.

Moreover, even in export markets, Akai did not establish itself as well as some of its rivals. It was big in Europe – but very small in the United States. It failed to take advantage of the surge in overseas growth of the Japanese consumer electronics industry in the 1970s. Its profits peaked (at Y3.1bn) as long ago as 1970.

Meanwhile, Akai neglected the home market. Ota says that Akai deliberately stuck to the export market because margins were higher.



Akai has tended to follow, not lead, with products

As a result Akai never became a financial powerhouse. When the yen began to rise in the mid-1980s, other exporters were able to increase sales at home. This was true not just of the industry leaders – Matsushita Electric and Sony – but even second rank companies such as Pioneer Electronic. Akai lacked the necessary resources.

Akai managers were aware of the company's vulnerability. They tried to keep up with the competition by launching their first compact disk player in 1983, getting into the new market early. But the ground was cut away from under them by a sudden and sustained fall in the price of video recorders, which accounted for 40 per cent of sales.

The company reacted by launching a big new sales drive in the US in 1985. The timing could not have been worse – the campaign coincided with the beginning of the dollar's 50 per cent fall in value against the yen. In the year to November 1985, Akai chalked up record losses – Y7bn.

Faced with an increasingly untenable situation, Akai's management asked Mitsubishi Bank for help. Akai was by no means a core member of the Mitsubishi combine; the chief link was through a 7.2 per cent stake held by Mitsubishi Bank, Akai's main bank. Mitsubishi Electric held just 2.5 per cent.

In Japan, these holdings are much more important than they seem - combines are expected to support even their peripheral members. But they are entitled to extract a price.

At a series of meetings, senior staff at Mitsubishi Bank and Mitsubishi Electric – sometimes with Akai executives present and sometimes not – put together a rescue package. In 1986, Okada arrived from Mitsubishi Electric to become president followed by about 20 other senior staff, drawn from his company and from the bank.

Mitsubishi Electric injected Y1.38bn into Akai and became the company's largest shareholder with a 7.7 per cent stake. Mitsubishi Bank meanwhile extended new loans to keep Akai afloat.

The details of Akai's survival strategy were subsequently hammered out at talks between Akai, Mitsubishi Electric and Mitsubishi Bank. It is a measure of Akai's loss of independence that these discussions still go on, two years later, at various levels in senior and middle management. In particular, Mitsubishi Electric has secured great influence over the whole range of Akai's operations – from product development and engineering, to production and marketing.

The first priority for the new management was to reduce costs. The overseas sales network was cut by closing offices in four countries – including the US and Canada - where Mitsubishi Electric has become the sales agent.

Akai closed its main Tokyo factory and surrendered control of its remaining Japanese production plant in nearby Saitama to Mitsubishi Electric and Mitsubishi Bank. The payroll was cut by 1,000 people to 1,200.

Akai now plans to reduce its dependence on high-cost Japanese production and increase purchases of products and components from low-cost countries in South East Asia.

Cost-cutting resulted in a sharp reduction in losses from Y7.1bn in 1985, to Y2.2bn in the year to last November. A small loss is expected for 1988 and a break-even result next year.

Meanwhile, the new management is trying to revitalise sales, which have declined steadily in yen terms for most of the last five years to Y60bn in 1987. *It is expanding a business* started in 1984 to make electronic musical instruments and last year ventured into the medical equipment market with a compact electrocardiogram.

But the biggest change has been a joint attack with Mitsubishi Electric on the domestic audio market. The two companies last year launched a new brand name – "A&D". Akai executives talk proudly about their new brand. They hope it will help boost domestic sales to 30 per cent of the group total by next year.

But nothing symbolises the decline of Akai better than the fact that the company did not use its own name in its first real assault on the domestic market. The name which hangs on a huge banner on the group's 10-storey headquarters building is not Akai but A&D.

TECHNOLOGY

Taking the heat out of a toxic mountain

By Robert Gibbens

SCIENTISTS at Canada's National Research Council have developed a process capable of extinguishing a growing stock of dangerous chemicals.

The manufacture of polychlorinated biphenyls (PCBs), as a coolant used in oil in electric transformers, was banned in North America in 1978. But bringing in replacements containing a different type of coolant is taking many years.

Waste oil containing PCB has been accumulating at storage sites across Canada, in old transformers and in barrels. The current inventory is estimated at about 40m kg.

The danger is that the stuff will catch fire, as happened last week at a warehouse containing old transformer oil.

A dense cloud of smoke was sent over a suburb of Montreal and about 3,000 people were *evacuated from* their homes. They still had not been allowed back on Wednesday of this week, eight days after the fire broke out.

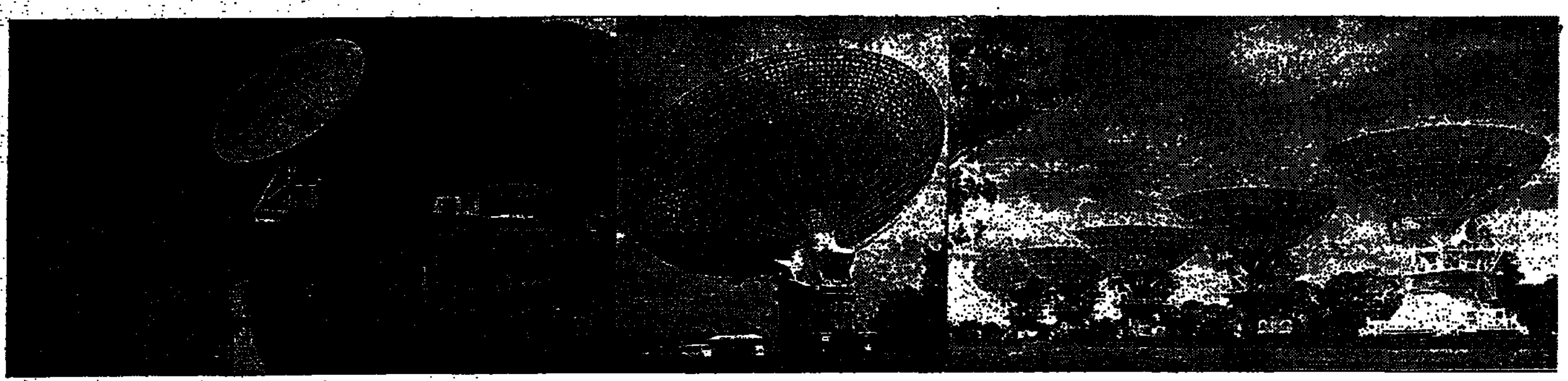
The principal hazard is that because this sort of fire involves comparatively low temperatures, two highly toxic chlorine derivatives, dioxins and furans, are released and deposited in the soot.

To deal with the piles of waste containing PCBs, scientists at the NRC have patented a neutralisation process. They have asked Canadian companies to apply for licences to use the technology.

The process involves adding a chemical substance to the PCBs. The mixture is heated to below 100 deg C for several hours and the chlorines are removed by neutralisation. What remains can be safely burned at relatively low temperatures, NRC scientists say.

They claim the process is more energy *and cost efficient* than the two methods now in use in North America: treating low level PCBs with metallic sodium and incineration at very high temperatures for heavily contaminated oil.

Canada's only PCB destruction unit is an incinerator in Alberta, which will not take PCBs from other provinces. The Ontario government is planning to bring in a mobile treatment unit from the US to begin a clean-up.



The Australia Telescope: a 22 m diameter antenna near Coonabarabran, a 64 m one near Parkes and five more near Narrabri, in New South Wales

'Big Science' scans a galaxy of potential

Chris Sherwell describes the scale of achievement that Australia's new telescope represents

In principle, radio-astronomy sounds simple. You sit on Earth, point your telescope (in this case an antenna) at the stars and wait while electronic gadgetry collects radio waves radiating downwards.

In practice, it is far more complex – and far more exciting – as a visit to the new Australia Telescope, located in the cotton country Outback of New South Wales, quickly demonstrates.

This magnificent facility, the first radio telescope of its type to be built anywhere in a decade, has been six years in the making and opens today. Costing A$50m (£24m), it is one of the most important bicentennial projects and the timing is fitting: when Captain James Cook paved the way for Australia's colonisation by discovering *its east coast, he had just been to* Tahiti in the South Pacific to witness the transit of Venus across the face of the sun.

As with Cook, the motivation is to advance man's scientific knowledge of the universe. Most obviously, the telescope will map the heavens of the southern hemisphere, which are only about a tenth as well explored as the northern ones because most radio-telescopes are in the north.

But it will also break new ground through the use of the most modern *equipment. Happily for the politicians* and public funding the project, there will be technological spin-offs which promise high commercial returns.

For radio-astronomers, the most important feature of the new facility is that it is a synthesis telescope, spread across three sites.

The most spectacular lies outside Narrabri, 480 km north-west of Sydney. Standing across a plain are six antennae, each 22 m in diameter. Five move along a 3 km rail track, the sixth is anchored a further 3 km away. All lie east-west and the track forms a straight line in space – it is flat to within a few millimetres after allowing for the curvature of the Earth.

Further south, at Coonabarabran, is another 22 m newly built antenna. The third is the updated and modernised 64 m antenna at Parkes, 400 km west of Sydney. Completed in 1961, it has kept Australia at the forefront of radio-astronomy.

The six antennae at Narrabri form a "compact array", which can map as much detail as a telescope 6 km in diameter. With the antennae at the other two sites, they form a "long baseline array", which will give a resolution 50 times greater.

The new telescope can link up not only with other antennae in Australia, but also with telescopes abroad or in orbit to form giant arrays thousands and tens of thousands of kilometres in size. This technique, called "very long baseline interferometry", can pick out details thousands of times smaller than individual telescopes can.

These arrangements have complementary uses, just as scientists learn different things about materials by studying them under both ordinary and electron microscopes.

Radio-astronomy advances understanding of the universe by letting *people "see" extra-terrestrial bodies* emitting radiation of wavelengths in the 1 cm to 10 m range. It has enhanced knowledge about such things as the birth of stars, the shape of galaxies, the collapsed cores of stars called pulsars and about the most luminous objects known, quasars.

The radio sky is different from both the optical sky and the sky as seen by infra-red and X-ray telescopes, which operate from orbit.

One early project for the scientists and engineers operating the Australia Telescope involves studying the centre of our own Milky Way galaxy, 30,000 light years away. In the northern hemisphere, it is only five degrees above the horizon. In the words of the Telescope's director Ron Ekers, the centre is "the least well *understood* and most exciting part." In particular it has an unidentified energy source, perhaps a black hole, powering a strong radio source called Sagittarius A and causing chaos in surrounding clouds of molecules.

Then there is the formation of stars in the spiral arms of the Milky Way, which are also observable from the southern hemisphere. Clouds of dust and gas hide this from view at optical wavelengths, but copious amounts of radio energy are emitted which the new telescope will detect.

Another target is the nearest galaxy, the Large Magellanic Cloud, which is 170,000 light years away. It and its smaller companion, which were first observed by the explorer Magellan in the early 16th century, cannot be seen from the northern hemisphere. They seem to revolve around each other.

Among other phenomena of interest will be supernovae, or exploding stars. In 1987, a new supernova suddenly appeared in the Large Magellanic Cloud. It was the first to be seen *with the naked eye since 1885, and* astronomers will be observing its remnants, at all wavelengths, for a long time to come.

The telescope may also help unravel the mysteries of quasars. No one has yet adequately explained how these objects, pouring out hundreds of times more energy than the average galaxy, can also be the most distant, on the very edge of the universe. The nearest is 2bn light years away.

On top of all this, time will also be allocated on the telescope for scientists involved in the international Search for Extra-Terrestrial Intelligence (Seti) programme.

Apart from the scope for research, there is no less excitement about the technological prospects. One reason is that the telescope's content is 80 per *cent Australian – a requirement set* by the original proposers to help secure government funding. The target was achieved through the Division of Radiophysics of CSIRO, the national scientific research agency, which has controlled the project.

Because the telescope incorporates state of the art technology, it is a step ahead of its major competitors, including the one in New Mexico from where Ekers was recruited.

For example, the company which built the antennae, Evans Deakin, was taught how to do it by CSIRO scientists and *local consultant* engineers, MacDonald Wagner. They developed new low-cost ways to make the reflecting panels which form the antenna surface and which had to be manufactured to within a fraction of a millimetre.

Likewise, the aluminium sub-reflectors, which pick up the incoming radio signals, were manufactured in Australia. So were the feed systems located near the centre of the dish's main surface. These are a rotating family of "horns" made of aluminium, *glass fibre and polystyrene which col*lect the signals from the sub-reflectors. Typically, they allow the antennae to receive two widely separated wavelengths simultaneously.

Polarisers behind each feed allow the antennae to detect the signals' linearly polarised components. Low wavelength signals are cooled to near absolute zero; all are amplified, converted to lower frequency signals and digitised.

After this, they are transmitted as pulses of light along optical fibres to a central *control building*. Here the signals from each antenna are combined in a computer, called a correlator, which pulls together data gathered over a period to produce a result. General processing of the data will be done on a Convex C-210 mini-super*computer, one of the few items* bought from abroad.

It is the correlator chip which is seen as the most important technological development to emerge from the project and the one with the most commercial potential.

The correlator can perform up to 6,000 simultaneous multiplications, 320m times a second – that is, about 2,000bn multiplications a second. The large-scale integrated circuits were designed by the telescope's engineers and fabricated by Austek Microsystems of Adelaide.

From this development has come a new device, the fast Fourier transform chip, also developed by CSIRO staff and being manufactured by Austek. Conventionally, the fast Fourier transform is a complex data processing technique in which enormous numbers of *calculations* are made using a mainframe computer to build up an overall picture from several streams of data recorded over a period.

The new chip allows this to be done as it happens, without resort to a *mainframe. It should have immediate* applications in satellite communications, remote sensing and medical diagnostics. Overseas interest in the development is said to be intense.

As in any country conducting such "Big Science" projects – and the Telescope is undoubtedly Australia's biggest – there is a heated debate between those spending the money, who want to pursue research for its own sake, and those supplying it, who want tangible results.

The "spin-offs" are a reconciling *factor*.

Legal weapon brought to the defence of software

By Geoffrey Charlish

NEW YORK stockbrokers PaineWebber, in a study of the US software industry, concludes that legal action is about to become a "significant weapon" in software (and hardware) vendors' battles to protect their designs – and profits – from what they regard as parasitic appropriation by others.

The law on the subject is seen by US lawyers as "messy", says Robert Therrien, a PaineWebber analyst; so the number of lawsuits can be expected to increase.

IBM has already brought actions over personal computer hardware and Therrien thinks it will now turn its attention to software.

This could mean *that* companies with something worthwhile to add to an IBM product will pay a modest fee, while those which are copying the products and then pricing them aggressively "will find their positions *expensive and* untenable."

PaineWebber can be contacted in the US on (212) 713 4921.

Security gates that let the traffic roll

ACCESS by vehicles to private commercial sites, military *establishments or housing* estates can be controlled with equipment available in the UK from Eureka Systems, of Slough.

The system allows cars driven by staff or residents to pass through security gates without stopping or carrying out any special action.

A small identity box, containing a short-range radio transponder, is bolted out of sight under the car. When interrogated by an aerial buried in the road, the transponder emits an identifying code which is sent to a computer. If the code is accepted, the gates automatically open and close, allowing only the identified car through.

The computer can also be instructed to bar certain vehicles, for example, if it were known that the car had been stolen.

Eureka Systems can be contacted on 0753 37722.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
2	3	4	5	6	7	8

OPERA

London

Royal Opera, Covent Garden. No opera performances until 12 September.
English National Opera, Coliseum. The season opens with revivals of two of the less successful ENO productions of recent times. David Pountney's ugly, coarse-grained modern-dress Carmen sports at least a highly promising cast, including Jean Rigby, Arthur Davies, Sergey Leiferkus, and Susan Bullock. The limply staged wartime-in-Mussolini's-Italy Tosca production by Jonathan Miller has Janice Cairns in the title role, Edmund Barham, and Malcolm Donnelly.
Barbican Hall. Paco Peña's Flamenco Dance Company (Mon-Thur, Sat). (638 8891)
Queen Elizabeth Hall. Opera Factory production of Cosi fan Tutte conducted by Paul Daniel (Sun, Tue, Sat) (928 3191).
Sadlers Wells. Sept 1, dancing begins in London again after a momentary break with the arrival of the Cumbre Flamenco troupe on Sept 6 for a 10 day visit.

Vienna

State Opera. Cavalleria Rusticana, conductor, Adam Fischer. with Margarita Lilowa, Rohangiz Yachmi, Peter Dvorsky, Silvano Carroli (Fri, Sun, Wed). Lucia di Lammermoor, conducted by Marcello Panni, with Edita Gruberova, Waltraud Winsauer, Paola Coni, Francisco Araiza, Richard Burke (Sat, Thurs). Il Barbiere di Siviglia, conducted by Ion Marin, with Frederica von Stade, Majorie Vance, Robert Gambill, Alexander Maly (Mon). Mozart's Cosi fan Tutte, conducted by Christian Thielemann with Margaret Marshall, Margarita Hintermeier, Olivera Miljakovic (Tues). (Ph. 51444).
Volksoper. In repertory Die lustige Witwe (Fri); Die Fiedermaus (Sat); Arthur Schnitzler's Reigen (ballet) (Sun); Kalman's Die Zirkusprinzessin (Mon); Hoffmanns Erzählungen (Tues); Die verkaufte Braut (Wed); Der Zigeunerbaron (Thurs) (Ph. 51444).

Tokyo

Teatro alla Scala, Milan. I Capuleti e i Montecchi, conducted by Riccardo Muti, directed by Pier Luigi Pizzi, with Agnes Baltsa or Dolores Ziegler as Romeo and Lella Cuberli or Lucia Aliberti as Giulietta. Tokyo Bunka Kaikan (Mon, Thurs). Nabucco, conducted by Riccardo Muti, directed by Franco Zeffirelli, with Renato Bruson in the title role. NHK Hall (Wed) (725 8888)
Shanghai Kunju Opera Company: Chang Sheng Dian (The Palace of Eternal Youth). Kun Opera is the oldest surviving form of theatre in China and the root of all other theatrical arts. The company performs a piece written in 1688 and describing the love between an emperor and a lady of his court. National Theatre. (580 0031) Ends September 11.

Berlin

Deutsche Oper. Oedipus, specially composed for the Berlin Opera by Wolfgang Rihm, will be conducted by Christof Prick. Lulu in Götz Friedrich's production stars Patricia Wise, Emily Golden and David Griffith. Lady Macbeth von Mzensk by Shostakovich returns with Karan Armstrong, Kathryn Montgomery-Meissner and Dmiter Petkov. Aida with Bruna Balioni, Julia Varady and Giorgio Lamberti rounds off the week.

Hamburg

Staatsoper. Die Zauberflöte has fine interpretations by Hellen Kwon, Gabriele Fontana, Harald Stamm, Heinz Kruse and Franz Grundheber. Die verkaufte Braut is a well done repertoire performance. Der fliegende Holländer stars Richard Versalle in the title role, Elizabeth Connell, Ursula Boese, Rose van Dam and Kurt Moll.

Munich

Bayerische Staatsoper, the Munich opera house will be closed until April 8 for renovations.

Amsterdam

Muziektheater. Netherlands Opera production of Bluebeard's Castle by Bartok, with Henk Smit as Bluebeard and Kathrine Ciesinski as Judith. Directed by Herbert Wernicke, with the Netherlands Philharmonic under Hartmut Haenchen (Mon, premiere, and Thur). Premiere of Ron Bunzl's "ballet event" Mise-en-Cadre danced by the Cloud Chamber company and directed by the creator, with music by Jose-Luis Greco (Wed) (255 455).
Stadsschouwburg. The Hoofdstad Operetta Company in Karl Millöcker's Gasparone directed by Hans Fretzer (Tue to Thur). (24 23 11).

New York

New York City Opera (State Theatre, Lincoln Center). The week features Victor Herbert's Haughty Marietta in a new production by Theodore Pappas with sets by Oliver Smith. (496 0600).

Washington

Sullivan and Gilbert (Eisenhower). Fritz Weaver and Noel Harrison play the composing team that represented the highest artistic achievement of the Victorian age in this so-called "drama with music". Ends Oct 9. (254 3670).

MUSIC

London

Amsterdam Concertgebouw Orchestra, conducted by Riccardo Chailly with Radu Lupu (piano). Mozart and Bruckner. Royal Albert Hall (Fri) (589 8212).
Amsterdam Concertgebouw Orchestra, conducted by Riccardo Chailly with Lynn Harrell (cello). Wagenaar, Shostakovich, Tchaikovsky. Royal Albert Hall (Sat) (589 8212).
BBC Symphony Orchestra, conducted by Hans Werner Henze with Alexander Baillie (cello), Thomas Allen (baritone). Henze and Monteverdi. Royal Albert Hall (Sun) (589 8212).
Academy of St Martin-in-the-Fields, director Kenneth Sillito with Briony Shaw (violin). Handel, Bach, Elgar, Mozart. Barbican Hall (Sun) (638 8891).
Philharmonia Orchestra, conducted by Andrew Davis with Garrick Ohlsson (piano). Webern, Brahms, Strauss. Royal Albert Hall (Mon) (589 8212).
BBC Welsh Symphony Orchestra, conducted by James Loughran with Howard Shelley (piano). Berlioz, William Mathias, Elgar. Royal Albert Hall (Tue) (589 8212).
BBC Welsh Symphony Orchestra, conducted by Tadaaki Otaka with Cécile Ousset (piano). Schumann, Mahler. Royal Albert Hall (Wed) (589 8212).
London Sinfonietta, conducted by Lothar Zagrosek with Michael Collins (clarinet) and Maria Ewing (soprano). Stravinsky, Zimmermann, Don Banks, Weill. Royal Albert Hall (Thur) (589 8212).

Vienna

Wiener Mozart Orchester (in historical costume). Mozart. Sofiensaele (Fri, Wed, Tues) (72 21 98).
Haydn Sinfonietta, conductor Manfred Huss, with Georg Hamann (viola). Haydn, Weber, Beethoven. Palais Auersperg (Sat). (43 15 68).
Sylvia Lacroix (flute), Eva Landkammer (cello), Roman Summereder (harpsichord). Handel, Bach, Leclair, C.P.E. Bach. Karlskirche (Sun).
Budapest Festival Orchestra conducted by Ivan Fischer with Zoltan Kocsis (piano). Mozart, Bartok, Brahms, Stravinsky. Musikverein (Tues) (505 81 90).
Kodaly Choir from Debrecen, Hungary, director Kalman Strausz, conductor Manfred Huss. Beethoven (Missa Solemnis). Votivkirche (Thur).

Paris

Frederic Desenclos, organ. Dandrieu, J.S. Bach, C.P.E. Bach, Alain, Luciano Berio, Jean-Pierre Leguay. Saint Severin Church (Mon).
Quatuor Rosamonde, Laurent Cabasso, piano: Haydn, Schubert, Brahms. Auditorium des Halles (Tue).
Junges Philharmonisches Orchestra and Markusvokalensemble from Stuttgart conducted by Manfred Schreier. Messiaen. Saint-Eustace Church (Wed).

Berlin

Philharmonie. Orchestre National de France conducted by Lorin Maazel. Berlioz and Saint-Saens (Mon). Berlin Philharmonic Orchestra under Claudio Abbado with Marizio Pollini (piano) and Marjana Lipovsek (alto). Schönberg and Brahms (Wed).

Cologne

Philharmonie. Leipzig Radio Choir and Chamber Orchestra of East Berlin, conducted by Peter Schreier. C.P.E. Bach (Sun). Orchestra National de France, under Lorin Maazel. Ravel, Roussel and Stravinsky (Wed).

Washington

Tangerine Dream. Three-member German synthesizer group known as the Godfather of New Age Music (Kennedy Center Concert Hall) (Thur) (254 3776)

Tokyo

Emmanuel Ax (piano). Chopin. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Mon) (795 4488).
Yong-Uck Kim (violin), Allison Eldredge (cello), with the Tokyo Philharmonic Orchestra conducted by Michiyoshi Inoue. Sibelius, Elgar. Suntory Hall (Tues) (795 4488).
Gennady Rozhdestvensky conducts the Yomiuri Symphony Orchestra. Haydn, Shostakovich. Tokyo Bunka Kaikan (Tues). Suntory Hall (Thurs) (270 6191).
NHK Symphony Orchestra conducted by Esa-Pekka Salonen. Messiaen (Turangalila Symphony). NHK Hall, Shibuya (Thurs) (465 1781).

EXHIBITIONS

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. The postwar creative dynamism of the Fifties is represented by cars, comics, music, cinema, literature, industrial creation and – on the fifth floor – by visual arts. The great figures of Matisse and Picasso open the exhibition with works in black and white; monochromes by Yves Klein and Montana close it. There are statues by Giacometti, mobiles by Calder, and lyrical abstraction by Hartung and De Kooning. While contrasting the School of Paris with the School of New York, the exhibition equally draws attention to some of their parallel developments. (42.77.12.33). Closed Tue. Ends Oct 17.
Institut du Monde Arabe. Holy Places in Saudi Arabia. Magnificent architectural models of the Kaaba in Mecca and its black brocade veil with verses from the Koran embroidered in gold, and of the Prophet's great mosque in Medina, provide non-Moslems with a realistic image of the shrines of Islamic pilgrimage, to which they normally have no access. Manuscripts, works by the traveller Richard Burton and 17th century Turkish ceramics complete the exhibition. 23 Quai Saint-Bernard (46.34.25.25). 1 pm till 8 pm, closed Mon. Ends Sept 18.
Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionists and post-Impressionists collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity. The sculptures come into their own in the immensity of the nave, at the end of which is a large-scale model of the Opéra and its district below glass tiles. The view of Paris from the terraces is an additional delight. 1 Rue Bellechasse (454 94814). Closed Monday.
Picasso Museum. The 17the century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne, Douanier and Rousseau. 5 Rue Thorgny (427 12421). Closed Tuesdays.
Musée de Cluny. Medieval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art – goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Place Paul-Painleve, Metro Odeon. Closed Tuesdays and lunchtimes (432 56200).

Munich

Haus der Kunst, 60 Prinzregentstr. An important exhibition, centred on the city of Munich, which provides a broad view of the West German cultural scene. There are about 640 works – paintings, graphics and plastics – by 470 different artists, including over 100 women. Twenty-two works by the Austrian painter and sculptor, Alfred Hrdlicka, form the highlight of the show. The exhibition is organised by three group of artists. Ends Sept 11.

Vienna

Museum of Modern Art/Museum of the 20th century: Exhibition of Oswald Oberhuber, one of Austria's finest artists. Opens September 9.
The Austrian National Library. The Arab world in Europe. A marvellous collection of letters and other literary items. Ends October 16.
Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.
Secession. Klimt's Beethoven Frieze is now back in its rightful and original place in the restored Secession. The Secession was founded by a group of artists, Klimt included, at the turn of the century. At the time, it provided a haven and experimental ground for artists who were tired of the old established and conservative Kunstlerhaus or arts Academy.

Visitors to Vienna must see the work put into the restoration. Besides the excellent lighting and colour scheme, the furniture, all Austrian designed, is a real eye-opener on the wealth of creativity which is taking place among the small crafts industries which have sprung up in recent years.

Venice

Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attemps to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. The exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Sarcophagi project at odd angles from a pile of pink sand on the ground floor of the Palazzo; in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck. Many of the 1,200 objects displayed (gold and silver jewellery, statues and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful and the 750 page catalogue, published by Bompiani, is excellent. Until Nov 6.

Rome

Palazzo Venezia. Imago Mariae. Over 100 works, including masterpieces by Gentile da Fabriano, Pinturicchio, Correggio, Giaquinto and Tiepolo, showing the progressive humanisation of the Virgin Mary from the austere figure of the Middle Ages to the gentle and accessible charm of the Renaissance and Baroque portrayals. Ends Oct 4.

Martigny

The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Renoirs, from society portraits and little girls in frothy lace and pink and blue satin, to a fleshy nude. Van Gogh, too, is well represented with his famous Arlésienne and landscapes with tormented trees. There is Cézanne's portrait of his wife, a Tahiti scene by Gauguin, early Picassos and Manet's Marie Lefebvre, riding side saddle all clad in black and looking as seductive as Bonnard's appealing nude or Degas' ballet dancers. (23978). Ends Nov 6.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.
Museum of Modern Art. Almost 100 black-and-white prints illustrate Matisse's influence during a 50-year printmaking career that included lithography, drypoint, etching and linoleum cut. Ends Nov 6.

Chicago

Art Institute. Photographs by Josef Sudek. Using his native Prague as the background, this avant-garde photographer, who died in 1976, captured the lyrical quality of the Czech people and the country's beautiful landscapes. Ends Sept 5.
Art Institute. More than 50 Dutch and Flemish 17th century masterpieces from the Hermitage in Leningrad, including works by Rembrandt, Rubens, van Dyck and Frans Hals, kick off a collaborative effort by US and Soviet museums Ends Sept 18.

Tokyo

Tokyo National Museum. The Splendour of Turkish Civilization: Ottoman Treasures from the Topkapi Palace. The former Seraglio of the Sultans in Istanbul boasts a magnificent location, overlooking the Bosporus, and houses a superb collection of classical antiquities, manuscripts, armour, textiles and other artefacts. This selection of 150 items focuses on the heyday of the Ottoman Empire, from the 16th to 19th centuries. Highlights include a steel helmet incrusted with priceless rubies, turquoises and amethysts, and a wooden throne inlaid with ebony, mother of pearl and silver. Closed Mondays.
National Museum of Modern Art. The Image of Man in Modern Japanese Art. Individualism is not generally admired in Japan, so portraiture, in the sense of the portrayal of individual psychology, is not part of the artistic tradition. However, in modern times, a number of Japanese painters have grappled with this problem with varying degrees of success. This exhibition features portraits and other works in which the human figure is predominant – all executed within the last 100 years. Closed Mondays. Ends September 2.
Japan Folkcraft Museum (Nihon Mingeikan), Komaba. Crafts from India. The museum is in an old Japanese farmhouse building which accords perfectly with the unselfconscious beauty of the objects. Closed Mondays. Ends September 25.

Continued on Page 13

ARTS

CINEMA

Logic and lunacy make happy bedfellows

Can there be logic in a meaningless universe? Can intricate systems of cause-and-effect co-exist with complete pointlessness? Above all, can three women living in Suffolk drown their husbands and get away with it?

These momentous questions are dealt with in Peter Greenaway's *Drowning By Numbers*. Like his natural ancestor Lewis Carroll, who wrote mathematics text-books between *Alice* volumes, this young British director is a man in whom logic and lunacy are happy bedfellows. More than happy indeed: their orgasmic union has brought forth such handsome offspring as *The Falls*, *The Draughtsman's Contract* and *The Belly Of An Architect*.

British culture has long had a flair for donnish absurdism. It probably dates from the time that Sir Isaac Newton changed our notion of the universe after being hit on the head by an apple. In history — especially British history — great events form natural alliances with vaudeville slapstick.

In *Drowning By Numbers* three ladies all called Cissie Colpitts drown their husbands. First off the mark is Joan Plowright (tin bath), soon followed by niece Juliet Stevenson (the sea) and grand-niece Joely Richardson (swimming pool). Will they get away with this triple viricide? It all depends on coroner Bernard Hill. This bearded Lothario fancies all three ladies and may well hush things up in return for services rendered. "Will you go to the police if I don't cooperate?" gurgles La Plowright majestically. "I might" says Hill. And thereby hangs the tale. The subtle molecular joinery of blackmail has begun.

The film is full of subtle molecular joinery. The adults' grim games of cause-and-effect are parodied in the brutal logic of the games invented and played by Hill's son (Jason Edwards). These include Hangman's Cricket, Bees in the Trees and — best of all — Sheep and Tides. In this, a number of bewildered-looking tethered sheep on the beach are encouraged to budge their chairs and rattle teacups when the tide turns.

The boy also has another ritual: he lights fireworks to celebrate the death of birds, insects, animals or humans. And indeed *Drowning By Numbers* is a pagan paean to death and its remarkable regenerative powers, second only to sex. Having shuffled off their husbands, the three ladies take out a new lease — nay a new freehold — on life. The lubricious coroner finds widowhood an aphrodisiac. And there is good evidence, insists a straightfaced Greenaway, that even when we die we are reborn, pasted up in the heavens as stars. In the film's first scene, a party-frocked girl addresses the night sky by naming 100 stars, many of whom are christened after characters in previous Greenaway films.

Visually, *Drowning By Numbers* is a joy: a sumptuously cluttered English pastoral, photographed by regular Greenaway collaborator Sacha Vierny, whose flair for gnomic elegance once ennobled *Last Year In Marienbad*. Every

DROWNING BY NUMBERS
Lumiere, Notting HillGate

THE SICILIAN
Odeon, Haymarket

STICKY FINGERS
Cannons, Panton Street and Oxford Street

MANIFESTO
Cannon, Piccadilly

scene is stuffed with clues and counter-clues, metaphors and grace-notes. (There is even a 1-to-100 count with numbers popping up through the movie in smuggled subtext.)

It is as if the secret of the universe were an Agatha Christie mystery we could solve if only we looked closer at the hedgerows, the stars, the roadsigns and the idiot games of the children nextdoor. Even the black-widow murder plot, which looks at first like a trendily feminist cry for women's ascendancy, has a sleeker, larger resonance. For what *Drowning By Numbers* gives its most punishing push to is the patriarchal order of crime and punishment, cause and effect. The animus of male rationalism falls overboard, politely propelled by the anima of female passion and conspiracy.

★

The attempts of the Hollywood film industry and Michael Cimino to push each other overboard have now become legendary. The director who brought you the Oscar-winning *The Deer Hunter* and the studio-destroying *Heaven's Gate* now brings you *The Sicilian*. And even a Cimino fan like myself has to admit that we have a problem here.

Adapting Mario Puzo's novel about the real-life Sicilian bandit Salvatore Giuliano, Cimino fills the screen with 2⅔ hours of dazzling images. Not since Visconti's *The Leopard* has any film-maker so ravenously devoured the Italian land and sky. The ever-mobile camera performs swoops, arabesques and breathtaking tracking shots. It purrs with the beauty of honeyed buildings and fields the colour of beaten gold and skies blue as cornflowers.

Unfortunately, people open their mouths in the movie. And there begins the trouble. *Cimino's multi-accented cast* — Christopher Lambert (French) as Giuliano, Terence Stamp and Joss Ackland (English) as opponent Dons, Barbara Sukowa (German) as an American-born Italian Duchess — create the sense of a mad Italy-set Babel. And Steve Shagan's script, when not plumbing the outer limits of banality ("We are in deep shit and you talk politics"), creates major confusions in plot and character identity. You need a wall-chart to follow who is doing what to whom for the film's first hour. And by the time you start understanding, you have ceased to care.

Saddest casualty in the film is its potentially intriguing subtext of political infighting. Juggling the disparate forces of Sicilian power-play — Church, government, Mafia, aristocracy, the revolutionary movement — Cimino creates surreal juxtapositions and scenes of horrific confrontation. Best of the first: kidnapped dandy Terence Stamp holding aloft his umbrella as he rides through gorgeous gorges trading metaphysics with Lambert's Giuliano. Best of the second: the moving scene in which Giuliano executes an old friend in the public square, the town barber who has betrayed him. The film catches the terror of approaching death and the pathetic gesture of the old man's last bequests to his children — his shoes and his gold watch.

But great moments in *The Sicilian* are rare. The film flopped in America and even failed in Cimino-loving France. Many hostile forces will rejoice at the failure of what could be — after three commercial disasters in a row (preceded by *Heaven's Gate* and *Year Of The Dragon*) — Cimino's final licence to hazard big money at the box-office gaming tables.

It would be a tragedy if it were. Cimino is the cinema's greatest epic realist since Von Stroheim: a man who spends money not on vain show but on Promethean strivings towards authenticity. As the visual pageant of a time, a place and a shudder of history — Sicily's schisms of political ideology and outlaw romance — *The Sicilian* is astonishing. All one wishes is that someone had tapped the director on the shoulder early on and whispered, "New cast, new script."

★

Still, Cimino's film looks like *Citizen Kane* next to *Sticky Fingers* or *Manifesto*. The first, co-written and directed by Catlin Adams, is a soi-disant zany comedy with Helen (Supergirl) Slater and Melanie Mayron as two New York street musicians who find a bagful of red-hot gangster money and do not know what to do with it. Nor does the script. One lame gag follows another; misunderstandings multiply without producing a moment's mirth. Check in your funny-bone at the entrance.

Manifesto is as bad: the latest nose-dive in the career of Dusan Makavejev, once famed for *WR, Mysteries Of The Organism*. This Ruritanian romp about sex, politics and death is based on a Zola story but more resembles *Arms And The Man* done over as a Playboy photo-spread.

Nigel Andrews

Bernard Hill and Joan Plowright in Peter Greenaway's "Drowning By Numbers"

Leipzig Gewandhaus

ALBERT HALL, RADIO 3

However distinguished its composer, incidental music for the theatre tends to lead an uncertain life in the concert hall. Mendelssohn's music for *A Midsummer Night's Dream* has perhaps the best established niche; even the scores that Beethoven wrote for the theatre are rarely heard nowadays in their entirety. Of the music he supplied in 1810 for Goethe's *Egmont* we hear only the overture, and the other numbers — songs, entr'actes, and a final "Victory Symphony" — have passed into near oblivion. But they were revived for Tuesday's Prom, brought to the Albert Hall by no less a distinguished visiting orchestra than the Leipzig Gewandhaus under its artistic director Kurt Masur.

Those who know only the overture to *Egmont* can be assured that they have missed little of consequence. The songs, given in the drama to Egmont's beloved Klärchen, are flavoured by the style of *Fidelio* and were sung with simple directness by Bettina Denner, while the orchestral interludes are close to the mood of the Fifth Symphony, written a little over a year earlier.

The overture compresses the drama so succinctly (indeed takes over the final Victory Symphony intact as its coda) that further musical treatment seems superfluous, though the melodrama, narrated here by Friedhelm Eberle, gave some idea of the possible alchemy the music and drama might create on stage.

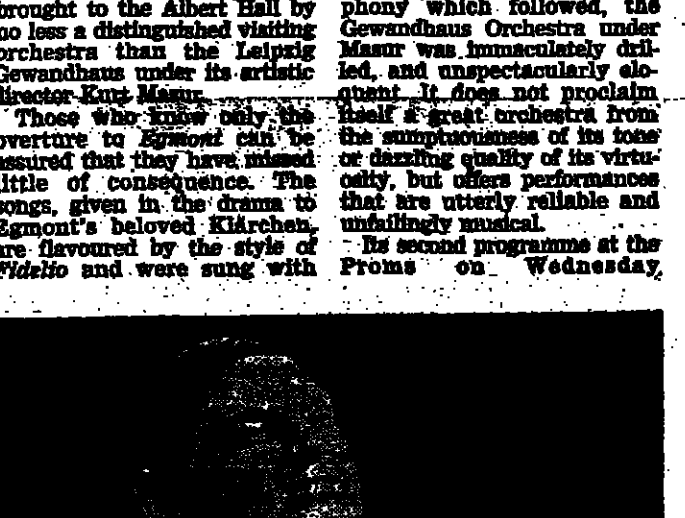
In both the incidental music and Beethoven's Seventh Symphony which followed, the Gewandhaus Orchestra under Masur was immaculately drilled, and unspectacularly eloquent. It does not proclaim itself a great orchestra from the sumptuousness of its tone or dazzling quality of its virtuosity, but offers performances that are utterly reliable and unfailingly musical.

Its second programme at the Proms on Wednesday reinforced that impression, and almost seemed designed to understate its sterling qualities. Mendelssohn's Scottish Symphony was a natural choice, a nod towards the most illustrious of the orchestra's former directors, and demonstrated both Masur's light touch in such works, and his players' nimble responses.

Strauss's *Till Eulenspiegl* proved a showpiece of a different kind, underlining the security of the brass, the characterful, never bland woodwind. But the inclusion of Rakhmaninov's *Paganini Rhapsody* was less understandable, for neither conductor nor orchestra would have seemed particularly suited to it.

The pianist was the Gewandhaus's resident soloist Peter Rösel who displayed a solid enough technique, but little individuality. Altogether though a superior pair of concerts that reinforced the pre-eminence of enduring musical virtues.

Andrew Clements



Kenneth Branagh's Renaissance Theatre Company is currently at the Phoenix Theatre for a ten week season performing Much Ado About Nothing (reviewed last Friday) and As You Like It in repertory at the Phoenix Theatre, with Hamlet opening next week. He is seen here in As You Like It, which will be reviewed on Monday

Lady in the Dark . . . . Murder in the Cathedral

David Murray and Martin Hoyle sample music and drama at the Edinburgh Festival

Though the original Broadway production of *Lady in the Dark*, in 1941, was a lavish affair — with Gertrude Lawrence as the Lady, and the newcomer Danny Kaye for the patter-song — Kurt Weill's score was somewhat trimmed during rehearsals, and even modest revivals have been rare. Thus Scottish Opera could boast that Wednesday night's concert performance in the Usher Hall was the first "complete" one, this time using a shortened version (I assume) of Moss Hart's spoken text but keeping all Weill's music to Ira Gershwin's lyrics, and restoring the overture.

It was a painstaking labour of love by the conductor John Mauceri, who led a rousing account of the score. Hart's idea was to put psychoanalysis on the musical stage (he was an enthusiastic convert); the result was a confection as hygienically innocent as any Hollywood exercise on the theme, laced with nothing more Freudian than Gershwin's exuberant word-play. (Mauceri claims it "shows how mental illness is a curable disease," which is pushing it a bit.) It gave Weill, however, the opportunity to expand his Broadway idiom for the three ambitious dream-sequences which take most of the music.

His through-composed *Street Scene* was still several years away, and the *Lady in the Dark* sequences do not aim at symphonic cogency — just variety and cumulative effect, with a haunting recurrent tag that opens out as a whole ballad toward the end. (The dream- and nightmare-effects are mere routine tokens: evidently they did not seize Weill's imagination.) There is easy room for numbers like the patter-song and a virtually gratuitous show-stopper, "Jenny made her mind up." As Mauceri justly observed, Weill made no special musical compromises for the American market: his familiar fingerprints are all over the score, and the jazzy and bluesy touches were in his Berlin music too. The best Broadway musicals have always had middle-European operetta and cabaret behind them.

Mauceri's orchestra played up with conviction, and the Scottish Opera Chorus contributed voices for many small parts as well as the big choral numbers. There was no American singer on hand, but Martin McEvoy and Forbes Masson were justly idiomatic in a clutch of secondary roles, and the Canadian Mark Tinkler lent his romantic young baritone to a shadowy old flame.

Richard Griffiths — not required to sing — made an eminently plausible East Coast analyst, blinking benevolently at his lectern. For Liza, the distracted heroine, Patricia Hodge was an inspired but natural choice: just recently she was impersonating Gertrude Lawrence at the Donmar. She was splendidly incisive with her long spoken role, which is mined with potentially embarrassing moments, and rose to her songs with confidence — fragile at the top, but unfailingly in character. The long-forgotten overture, by the way, proved to be a stirring pot-pourri, as might have been expected; any future productions will surely reinstate it.

Earlier on Wednesday the pianist Vladimir Ovchinikov, who tied with Peter Donohoe in the 1982 Chaikovsky competition, delivered a strenuous programme in the Queen's Hall: all the Transcendental Studies of Liszt, and eight of Rakhmaninov's *Etudes-Tableaux*, op. 33. There were brilliant touches and many interesting, experimental ideas in his Liszt ("Feux follets", usually treated as a piece for celestial music-box, acquired wayward hesitations and rushes answering better to its will-o'-the-wisp title); also much relentlessly thudding fortissimo, discouraging to the ear and inimical to detail. There were nevertheless impressive depths in "Harmonies du soir," and a "Chasse-neige" of morosely tragic character.

With Rakhmaninov, however, the sound of Ovchinikov's piano became at once richer and far more transparent, his palette full of imaginative colour. This was Rakhmaninov exposition of a high order, not least because a hitherto unsuspected wit — sometimes black humour — came into play. Though I doubt that the Etudes-Tableaux match Liszt's studies for expressive variety, here they seemed to; and as one of his encores Ovchinikov clattered through the "Polka de W.R." with irresistible mischief and glee.

D.M.

The great German poet whose name is borne by the company visiting the King's Theatre can be met face to face in the usually closed Tron Kirk in the Royal Mile. Schiller's sharp ascetic features register faint disapproval at finding himself part of an exhibition of death masks and life masks of the famous and infamous from Edinburgh University's Department of Anatomy. It may be noted that Burke and Hare and sundry murderers gather more crowds than Mendelssohn, Weber, Dr Johnson or the ugly, lively face of David Garrick. Sheridan's death-mask is painfully real, the sunken cheeks and toothless mouth suggesting far more than his 65 years.

Just up the road and one can report with relief that after the disappointing *Caucasian Chalk Circle* that opened their London season two weeks ago the National Youth Theatre has struck form with one of its calling-card productions, *Murder in the Cathedral*.

T.S. Eliot's religious drama is a good choice for a large company, with its sharply defined cameos among the Knights and Tempters, and the chorus work with occasional solo lines for the monks and women of Canterbury. This year it is more accurately murder in the High Kirk (not to displease the shade of Jenny Geddis who hurled her stool at an uppity preacher).

A late night performance fits the naturally sombre interior of St. Giles. The monks are a vaguely perceived black mass in the darkness towards the altar, the women occupy the downstage area and flank us, the congregation. Both groups combine in Geoffrey Burgon's setting of the Kyrie Eleison, its melancholy vocal line underpinned by chimes and thunderous percussion. The muffled boom of the bass drum accompanies the women's forebodings, and jagged woodwind themes punctuate the appearances of the Tempters.

These are strongly portrayed (though Rupert Penry Jones is a bit unsmilingly aggressive for the embodiment of frivolous pleasure), and incidentally prove the men more successful than the women at projecting words in the echoing acoustics. James Barriscale's insidious spirit of self-martyrdom in particular makes himself heard effortlessly after an impressive advance from the shadows, a faceless hooded figure.

Conor Grimes, the Ulster-accented Becket, is equally clearly spoken in a performance of confidence and authority. Unusually youthful-looking, this archbishop makes sheer argument ring with dramatic conviction. Edward Wilson's direction is infinitely more at ease with Eliot than in Brecht.

M.H.

This short (75 minutes) show begins as a puzzle, continues as an irritation, and ends up by winning you over to the humour of the incongruous, the shrugging acceptance of the inconsequential.

The urban proletarian whimsy of Jérôme Deschamps is known in Britain from *Les Blouses*, seen at the ICA some years ago. His wordless drollery is not too distant from Jacques Tati's Monsieur Hulot, though Deschamps limits his contributions to writing and directing. In this new piece, a huge success in Paris, there are actual words: incoherent abuse shrieked by a fat charwoman at an offstage dog whose frenzied barking and rattling chain finally draw her into battle in the wings with a mop; and songs.

For the evening's framework is provided by a concert of sentimental old songs executed by genuine music hall stars who have emerged from retirement for the show. The setting is a vast, windowless brick hangar of a place, an institutional kitchen possibly, whose main features are the piled wine crates that supply the monstrous char and her gormless young male assistant with the occasional tipple. Noises off include the crashing as of innumerable dust bins, clanking, smashing and shouting. The char's comic routines take in dusting the proscenium arch and picking the sole of her shoe, sniffing and tasting, while the pianist plays Chopin.

The six residents of the faintly Dickensian old folks' home include two old dears who tackle Carmen's Habanera; another who sings what sounds like "When You're Smiling" but isn't; and a whiskery sprite resembling George Bernard Shaw who turns a cartwheel besides singing in a quavery but just audible voice. (The company's disdain of microphones puts our own West End stars to shame.)

The farcical counterpoint keeps sentimentality at bay. The pianist (there are four apprehensive pit musicians) is not above shouting irascibly at the old dears when they anticipate a cue. The chinless boy marches proudly on with a lighted birthday cake to fall flat on his face, splattering the gateau over the stage. With some jokes the pleasure comes from watching the eminently predictable unfold.

My Edinburgh companion remained stony-faced; a colleague from a distinguished Scottish paper was rolling about. In general, the house rose to this very gallic mixture of the wistful and the hard-headed, the touching and the practical, which succeeded in casting an oddly engaging spell.

M.H.

ARTS GUIDE Sept 2-8

Continued from Page 12

THEATRE

London

Too Clever By Half (Old Vic). A fizzing Gogolian production by Richard Jones of Ostrovsky's Diary of a Scoundrel in an old Rodney Ackland version, with remarkable Expressionist designs by Richard Hudson and a brilliant central performance by newcomer Alex Jennings. Until August 13. (928 7616, credit card bookings 261 1821).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair. (839 5989).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. (836 6404, credit cards 379 6233).

Amsterdam

Agnes of God (Stadsschouwburg). The English-Speaking Theatre of Amsterdam with John Pielmeier's play, directed by Bryce Pedersen. (Fri, Sat) (24 23 11).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit. (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy. (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry. (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York. (598-7100).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15. (254 3770).

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections. (254 3679).

Cabaret (Wolf Trap Festival). Joel Gray leads the cast in a week-long visit by the revival of the hit musical based on Christopher Isherwood's Berlin reminiscences of the 1930s. (432 0200).

Tokyo

Kabuki (Kabuki-za). The morning programme, at 11am, includes Kago Tsurube, with Living National Treasure, Utaemon, in one of his most famous roles as a sophisticated courtesan who gulls a country bumpkin. In the afternoon, at 4.30pm, the programme includes Ii Tairo, a "new kabuki play" set in the 19th century at the time of Japan's opening to the West, as well as one of the most famous works in the kabuki repertoire, Kanjincho (The Subscription List), in which a wily servant outwits his master's pursuers. Opens September 1. (541 3131).

Opera-za no Kaijin (The Phantom of the Opera), Nissei Theatre. Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon-copy of the London original. The Japanese translation is often awkward, but Andrew Lloyd-Webber's gift for musical pastiche, Harold Prince's romantically evocative staging and Maria Bjornson's stunning sets and costumes make for an enjoyable evening whether you understand the words or not. Ends September 20. (503 3111).

Les Misérables (Imperial Theatre). This stirring musical adaption of Victor Hugo's novel of the Paris barricades has returned to Tokyo for another four-month run. Ends August 31. (201 7777).

Noh (National Noh Theatre) A double bill consisting of the noh play, Yukyo Yanagi, and a comic interlude (kyogen). Japan's most esoteric art form is not to everyone's taste, but should be experienced at least once by everyone who wants to discover why Japan will never become a "western" nation (Wed at 1pm; most other Noh theatres are open only at weekends; check local press for details) (423 1331)

SALEROOM

Price for Picasso?

The finest early work by Picasso to appear on the market for many years comes under the hammer at Christie's on November 28th at its major London winter sale of Impressionist and Modern paintings.

"Acrobate et jeune Arlequin" was painted in 1905 in Paris during Picasso's rose period and is expected to sell for over £10m. With the current strength of the art market it could realise £15m, making it the third most expensive work of art sold at auction, following two works by van Gogh — Irises, which made £30m and Sunflowers, sold for £24.75m. It is being disposed of by a secretive European family. The painting, which shows two male figures in melancholic intimacy, belongs to the time when Picasso lived close to the Cirque Medrano in Place Pigalle, which was the inspiration for many paintings. This example was exhibited in Paris in 1905 and had entered a museum — at Wuppertal-Elberfeld in Germany — as early in 1911.

It was confiscated by the Nazis in 1937 as an example of decadent art and sold at auction in Lucerne in 1939 for 80,000 Swiss francs to a Belgian collector, Roger Janssens. It has since changed hands, and although the composition looks familiar, it has not been on public show for over twenty years.

Antony Thorncroft

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Martian view of the CAP

WHAT PURPOSE does the agricultural industry of the EC serve? A stay-at-home Martian might guess that it exists to provide consumers with food of the highest possible quality at the lowest possible price. A Martian who has visited Europe would know better. It exists, he would conclude, to produce food nobody wants at prices many cannot afford and then to dump the resulting surpluses on world markets, to the discomfiture of the EC's friends and the pleasure of its enemies.

A careful perusal of the National Consumer Council's authoritative report on Consumers and the Common Agricultural Policy would serve to confirm the Martian's hypothesis. What might still puzzle him, however, is why the EC has these objectives.

If charitably inclined, the Martian would conclude that the absurd consequences of the CAP were unintended. The CAP, he would note, was opaque both in conception and execution. Originally, this feature made it politically easier to provide assistance to farmers on a generous scale. But now, when things have got out of hand, that very lack of transparency renders rational reform close to impossible.

Farm budget

How different things would be if the implicit tax and subsidy pattern of the CAP had to be legislated explicitly. Farm ministers would have to propose an EC farm budget of about Ecu 80bn (£50bn), no less than £160 per person. The budgetary cost would then be some three times as great as the levels that have already horrified their colleagues.

They would also have to justify the imposition of an explicitly regressive tax on food. In the UK, for example, those in the lowest quartile of the income distribution spend almost 30 per cent of their income on food as against under 15 per cent for those in the highest quartile. In countries of southern Europe the poorest people spend as much as 40 per cent of their incomes on food.

Equally problematic, of the total resources raised only two thirds actually go to farmers, with the overwhelming proportion of that going to the richest. Thus the annual subsidy per farm to the largest 8 per cent of EC farms is, according to the NCC's figures, Ecu 25,300 (£16,600), ten times as great as the subsidy per farm to the smallest 30 per cent of farms, on whose behalf so many tears are shed.

Such transparency of the CAP's tax and transfer consequences would surely make the policy as a whole, already burdened by many demerits, almost impossible to continue. It is for this very reason, therefore, that the CAP is so structured that decisions can be taken behind closed doors by an iron triangle of farm lobbies, farm ministers and farm bureaucrats. It is to the credit of the UK Government that it has shown recognition of the fundamental problem by commissioning a report from a body charged with representing the consumer interest.

Obvious drawbacks

Politicians react to pressure. At present, the most visible drawbacks of the policy are the high budgetary cost and the huge surpluses. There is a great temptation, therefore, to solve these problems by the use of quantitative controls on output that themselves do nothing to help consumers.

The most important substantive proposal of the NCC is a move to market-oriented pricing, with assistance to farmers provided through explicit subsidies. This will, no doubt, be seen as "politically unrealistic." There is a Catch 22: comprehensive reform requires greater policy transparency, but greater transparency will only follow after significant reform.

Perhaps there is an escape from the dilemma. By commissioning the report, the UK Government has provided proof of its awareness of the need for enhanced transparency. If it actively promotes far greater involvement of consumer representatives in the formation of both UK and EC policy, the Government will follow the logic of its own actions. The NCC report could then prove a fulcrum on which to move even the EC. With a change in how policy is formed, a time may come when a Martian visitor will even be able to make sense of the policy itself.

Training the unemployed

IF ADVERTISING slogans alone could get the long-term unemployed back to work, the British government's £1.5bn Employment Training Scheme would be assured of success. But they cannot and the programme may experience a shaky start. Support for the scheme among both local authorities and companies remains patchy. Next week, opponents will probably persuade the Trades Union Congress to announce some form of boycott.

The lack of enthusiasm for ET may seem surprising. Long-term unemployment has fallen during the recent economic upturn, but the total is still barely short of 1m. At the same time, there are reckoned to be around 700,000 unfilled vacancies. It must make sense, say ministers, to "train the workers without jobs for the jobs without workers." In theory it must, but the critics contend that ET will not provide adequate incentives for either employers or the unemployed. They also question the quality of the likely training.

ET, which replaces 37 separate schemes for the adult unemployed, is intended to provide an average of six months' training for 600,000 jobless adults. The focus initially will be on 18-24 year-olds out of work for at least six months. Unlike the Community Programme, it will not pay participants the "rate for the job." Instead, in recognition of the training provided, it will offer only welfare benefits plus about £10 a week.

Questionable decision

The decision to create one giant scheme is questionable. A diverse range of small schemes run by different groups according to different criteria might be expected to offer the jobless a wider range of choices. Doubts have also been raised because ET was closely modelled on the 1987 New Job Training Scheme, which was not a conspicuous success. The new JTS, like ET, emphasised training on employers' premises and remunerated participants according to a "benefits plus" formula. Little more than a quarter of the planned places were filled and many trainees dropped out after the first few weeks. Internal Training Commission reports suggest that the quality of training was often low.

Trials for ET similarly fail to inspire confidence. The drop out rate was lower than under the New JTS, but it was still worryingly high. More than half of those entering development projects abandoned the programme before their training began. The figures suggest that counselling techniques will have to be greatly improved. They also underline the difficulty in making a voluntary scheme work. Mature adults are not as malleable as the 16 and 17 year-olds who sign up for the Youth Training Scheme.

Limited enthusiasm

But the difficulties do not lie only on the demand side. Among employers, real enthusiasm for ET is being shown only by the retail and construction sectors. Both are experiencing recruitment problems and see ET as providing access to a new class of worker at a time when demographic changes are causing a sharp decline in the supply of young people. Many manufacturing companies, by contrast, are either not looking for new employees or feel that ET does not dovetail neatly with their own internal training schemes. Unlike the Training Commission, they apparently do not regard ET as a plausible source of skilled labour.

Such scepticism is reasonable. A six month programme, which combines practical work experience with off-the-job training, cannot achieve miracles. It will not turn an unemployed adult into a skilled technician. Such a task would take years and cost much more per person than is allocated under ET. But such criticism perhaps misses the point. The training element in ET has to be emphasised in order to persuade the jobless to participate. But the scheme's real function is to act as an introduction agency: to put employers and the long-term unemployed back on speaking terms. The problem of inadequate skill levels in British industry will have to be tackled on another occasion.

Philip Bassett sets the scene for the UK's Trades Union Congress in Bournemouth next week

Unions enter a confused new world

Barry Moore and Barry Hawksworth are both busmen. They're both electricians, too. And they're both managing directors as well.

Both men run post-deregulation bus companies in East Anglia – one in Ipswich, and one in Great Yarmouth. Both men have recently gone against the grain of the bus industry by signing recognition deals with the EETPU electricians' union. And both men were so impressed with their deals that they joined the union too.

This blurring of boundaries in these two companies – between unions, between grades, between occupations – is increasingly typical of the pattern of industrial relations arrangements in Britain as unions switch towards single-union agreements. That growth is likely to be sharply accelerated next week when the Trades Union Congress at its annual conference expels from its ranks the leading proponent of single-union deals, the EETPU.

What will happen once, as now seems inevitable, this long-projected split in Britain's unions occurs? TUC leaders acknowledge privately that the confusion of traditional trade unionism that the two East Anglian bus agreements exemplify may well lead to such complicated membership switching and poaching that, even if the EETPU were to return to the fold, the changes would be irreversible.

There are other examples of these trends. At Bernard Matthews's "Bootiful" turkey production operation in Norfolk about 40 workers have just applied to the EETPU for membership. East London probation staff hardly seem like electricians either – but the union is recruiting fast among about 200 currently non-union clerical staff in the probation service in Barking, Romford and Stratford.

Graham Briggs, the EETPU's regional official for the union's white-collar section, responsible for all these deals, says that the publicity given to the EETPU in its current row with the TUC has brought in such new members: "What these people have decided is that they want to join a union. The TUC can think what it likes – but they have decided that they want to be involved with Eric."

Eric Hammond, the EETPU's subtle, pugnacious general secretary, is clear about his union's post-TUC recruitment ambitions: "The door is open here to anyone who wants to come in," he says. The EETPU will not just stick to its core sectors; it will range voraciously, looking for members where it can.

Once the EETPU is out in the cold, it will no longer be bound by – or protected by – the TUC's rule against poaching other unions' members, enshrined in the 1939 Bridlington agreement. At middle and junior ranks inside both organisations, there are indications that aggressive recruitment plans are being prepared – and only some of these have been disavowed by the respective headquarters. None the less, the TUC hopes to limit any recruitment war. Norman Willis, its general secretary, says that among the TUC's member unions, "there isn't any passion for some sort of bloodbath."

Indeed, relations between the TUC and the electricians are not always as polarised as they seem. *Just after the EETPU had been* suspended from the TUC on the same issue as its expected expulsion next week – refusing to accept two Bridlington decisions – both Norman Willis and Eric Hammond were among the guests at a reception hosted by Mr Charles Price, the US Ambassador to London, at his elegant house in Regent's Park. Mr Willis surprised his fellow-guests by singing – to the tune of "You made me love you, I didn't wanna do it" – his own written words: "You made me suspend you, I didn't wanna do it." Then, in the middle of a lengthy conversation with Mr Hammond, he suddenly threw an arm round his shoulders. Looking round for a camera, Mr Hammond quipped: "Where's a photographer now I need one ?"

Whatever does happen after the electricians' expulsion, a crucial role will be played by those who control union recognition: the employers. They do not think that much *will* happen – at least not immediately. "Employers generally will want to keep their heads below the parapet," says one. "There is no sense that there will be any significant change immediately."

Rod Thomas, employment affairs director of the Confederation of British Industry (CBI), says: "Employers don't want to get mixed up in trade union politics, which they regard as no longer central to their main concerns in human resource management."

But employers accept that some shop stewards and local officials will put pressure on them to exclude the EETPU from joint management negotiating committees. They will then have to make a pragmatic decision on whether to bow to this pressure. CBI officials warn, though, that if other unions' opposition to working alongside the EETPU leads to any kind of dispute, then employers would be able to bring legal action against the unions concerned. The labour law changes introduced by Mrs Thatcher's Government rule out legal protection for inter-union disputes.

Some employers and their advisers believe that a few companies will go further. Just as Eddie Shah eventually put the Conservatives' employment legislation into practice at his small Warrington newspaper in 1983, so some similar, probably small, maverick employer will take the first step to exploit the electricians' expulsion and move from recognising many unions to a single-union deal with the EETPU.

Graham Mather, former head of policy at the Institute of Directors and now director-general of the Institute of Economic Affairs, says that the TUC's expulsion of the EETPU will accelerate the drive to single- or non-unionism, since the TUC is "voluntarily giving up its last remaining selling-point: the industrial relations stability it offered under Bridlington."

TUC leaders do not believe that a post-TUC EETPU offers employers any greater stability. They believe many personnel managers will not be able to sell to their own bosses the idea of doing a deal with an EETPU outside the TUC, because of the problems with other unions it might bring in its wake.

At local level, the EETPU doesn't think so. Ipswich-based Graham Briggs says: "Employers here have made no secret of the fact that they regard the TUC's problems as our problem – but not their problem." As an indication of that, Mr Briggs has just received a letter of intent for a single-union deal covering 200 workers employed by Plessey Control, which repairs motorway signs and lights.

In South Wales, the main area for the EETPU's single-union, strike-free deals – not the specific cause of the breach with the TUC, but for many unions the real, unstomachable reason behind it – Wyn Bevan, executive councillor for the area, says of the union's likely expulsion: "In the discussions I'm having at the moment with inward investment companies, our TUC position has been mentioned only once. It's not a big thing – it's not something that causes them any problem."

In preparation for life outside the TUC, the EETPU's local officials have each sent Mr Hammond a note detailing both where the union may gain members, and where it may lose them. These estimates have confirmed the belief of the union's leadership that there will be losses, but that the EETPU will come out ahead.

Another, defensive, step the union has been taking is to maximise its existing membership. Unlike most unions, the EETPU's membership records have been fully computerised for more than 20 years. Currently, the union is going through its files, company by company, agreement by agreement, and comparing them with the companies' employee lists – and where there are discrepancies, earmarking the company for further recruitment.

EETPU leaders dismiss, too, the impact of the formation by some of its left-wing members of a breakaway union, the Electrical and Plumbing Industries Union, likely to be launched on Monday as the EETPU is expelled.

Despite the right-wing enthusiasm of the bulk of the EETPU, the left has always been able to muster respectable votes in union elections, and the breakaway could attract a substantial minority of members.

There have been two other fairly successful breakaway unions in the recent past – the Union of Democratic Mineworkers, and the Professional Association of Teachers. These two groups, however, were moderate organisations pulling away from left-dominated unions; employers were not unnaturally ready to recognise them. For the breakaway electricians, the reverse will be the case; many employers might well be reluctant to recognise a more militant breakaway.

Even at this late stage, the possibility of some compromise to prevent the EETPU's expulsion cannot be ruled out: the TUC is famous for last-minute deals. But TUC leaders insist that if there is to be any compromise, it must be the electricians which do the compromising: protecting Bridlington, for the TUC, is sacrosanct. And the electricians' executive in recent years has not been characterised by a readiness to compromise.

With membership still declining, non-unionism growing, employers increasingly reassessing their employee relations and wondering whether they need unions at all, the time is hardly propitious for the unions to be facing their biggest split. This week's postal dispute, where the union involved is seen as rejecting money already paid to some of its members, has placed unions in a further bad light.

Despite all this, Norman Willis of the TUC claims that there have been positive signs for trade unionism in the UK this year. He points, with some justification, to the increased membership of some unions, the unions' high poll standing, the forward-looking work of the TUC's special review body. He tries, too, to muster some optimism about the coming year, but is at least as aware as anyone of the difficulties for the unions – not just over the EETPU, but over other issues, such as their attitude to the Government's Employment Training programme for the long-term unemployed, launched yesterday.

As the TUC braces itself for those difficulties in what was yesterday a very blowy Bournemouth, even the jovial, optimistic Mr Willis is daunted: "No-one can deny some gloomy thoughts. It's wrong to be doom-laden. But I'm not exactly humming 'I do like to be beside the seaside.'"

Pugnacious but subtle: the electricians' leader Mr Eric Hammond

OBSERVER

Bossano does it again

■ Joe Bossano, the new socialist leader of Gibraltar, is full of surprises. He shocked the opposition by the size of his electoral victory last March. The Spanish Government took umbrage when, shortly after becoming Chief Minister, he paid what amounted to a "state" visit to the Canary Islands, to see the autonomous President there. He has started joint venture companies with private enterprise. Now, he has has taken almost everyone unawares by his wedding.

Bossano, 49 and father of four, married on Wednesday at the Rock's registry office. His bride was Rosemary Roman, a 42-year-old nurse and mother of three. It was the second wedding for both of them. Only one Government Minister was present and the occasion was treated like a state secret.

It was planned with great care. On Saturday Bossano flies to the US (with his wife) mixing business with pleasure. Officially he will be promoting the Rock's potential to American businessmen in Washington and New York. Unofficially, he will be on his honeymoon.

He wants the US Sixth Fleet in the Mediterranean to use the local repair facilities, where he has installed a Minister as managing director, ousting British shipping experts A & P Appledore. "I don't expect to be treated as a head of state by the Americans, because I am not one. But it is the first time that a Chief Minister is going there to promote the rock," he says. "It's the world's smallest economy facing the biggest."

Bossano sees the Americans as his principal ally in transforming the Rock into a self-sufficient mini-state. The Spaniards, with dreams of taking over his patch, are not amused. The British may hear more about his intentions from their Ambassador in Washington, whom Bossano will see.

City cricket

■ The Stock Exchange Cricket Club scored a notable victory this week, beating a Yorkshire League XI led by Brian Close, the former England captain, by 45 runs. The match took place at the Scarborough Festival, which the Stock Exchange side was invited to open following a successful tour of Hong Kong and Singapore last autumn.

Alfred Nathan, the President of the Club, points out that the team is becoming increasingly powerful as more and more cricketers work in the City in the winter. Paul Downton, the Middlesex and former England wicket keeper, and Paul Parker, the Sussex captain, fall into that category. Possibly it is a better investment than going to South Africa.

Since neither Downton nor Parker were playing in Scarborough, the victory looks even more impressive.

Palumbo it is

■ Although no official announcement is likely for two weeks, the apparatchiks at the Arts Council have come to terms with the fact that their new supremo as chairman is to be the controversial developer, Peter Palumbo. He has already been honoured with a pseudonym, "The Godfather", in honour of the part he will play at Princess Beatrice's christening. But it also carries undertones that after seven years under that eccentric scholar and gentleman, the now Lord Rees-Mogg, the Council may have a more directly Thatcherite minder.

"I'm not advertising it. I'm doing it."

Another Swede

■ In naming 47-year-old Jan Eliasson as his special representative to mediate between Iran and Iraq, the UN Secretary-General, Javier Perez de Cuellar, is following a well-tried maxim in the UN's efforts to end the Gulf war: when in despair, turn to the Swedes.

Eliasson, Sweden's Ambassador to the UN since March, was chosen only after persistent attempts to find a suitable Swiss. Kurt Furgler, the former Swiss President, was in the running last week, but was found unacceptable by the Iraqis on the grounds that his country represents US interests in Tehran.

Still, the Swede knows the background. Between 1980 and 1986 he was a senior aide to the late Olof Palme and played a major role in the Swedish Prime Minister's own mediation attempts. Eliasson visited Tehran and Baghdad 12 times in the period. Ironically, his new appointment came on the day of the official report on Palme's assassination. It has sometimes been suggested that his involvement in the mediation had something to do with it.

Cold winter

■ The Thirsk weather sage, Bill Foggitt, acknowledged yesterday that it has not been the long hot summer that he predicted.

Foggitt is reluctant to stick his neck out again and forecast an Indian summer but confesses astonishment that this summer has made up a sequence of four wet summers on the trot for the first time in his records which stretch back 100 years.

He plumps for a hard winter in line with his theory that we are entering a mini ice-age similar to that about 180 years ago. "There was the odd mild winter then, but the general pattern was similar to recent times and we had seven successive hard winters before the last one," he explained. "A lady geologist friend of mine in Sheffield believes Britain is moving slowly northwards because of the shifting continental plates and that could have something to do with the worsening weather."

At least the mild winter has meant a good crop of fruit this year with few insect pests around to cause many problems. That thinks, Foggitt, is why most of the swallows have flown away early for the winter. He does not plan to record when the last one goes. "I used to, but if I look up at the telegraph wires after coming out of the Three Tuns these days I go dizzy, especially after a pint or two."

Irish-Soviet

■ A lot of Soviet-made Lada cars have started appearing in Ireland, giving rise to the question: "What do you call a Lada with a sun roof?" Answer: "A skip."

Stefan Wagstyl on a political and business storm in Japan

The winds of scandal

A series of financial scandals is making it a difficult summer for Japan's politicians and businessmen.

In themselves, the affairs, in which prominent people have been accused of insider trading operations, capital gains tax evasion and bribery through share placements, are no worse than those which regularly occur in Japan. But they could not have erupted at a more difficult time for the Government of Mr Noboru Takeshita or for the Japanese stock market.

For Mr Takeshita, the scandals could upset a controversial tax reform he is trying to manoeuvre through the Diet (parliament). If it falls, so might he. For the stock market, public anger could force a strengthening of new regulatory codes which are being introduced. This could have a profound impact on the flamboyant ways of the Tokyo market.

The revelations have fuelled a tide of resentment among wage-earners at the huge tax-free profits politicians and others have made through dealing in shares. They have also raised doubts whether Japanese politicians, the leaders of an economic superpower, can continue to finance their activities in a manner which exposes them to such damaging publicity.

The storm broke in late June when a Japanese newspaper revealed that 76 people, including aides to Mr Takeshita, Mr Kiichi Miyazawa, the Finance Minister, and Mr Yasuhiro Nakasone, the former Prime Minister, had been invited by an industrialist to buy shares in a private property company, Recruit Cosmos, in advance of flotation. When the shares were listed, they all made huge profits.

This emerged as the Government was introducing a comprehensive tax reform bill, which includes a highly unpopular value-added tax. Changes to capital gains tax are also proposed, but with gaps which would allow wide-scale tax evasion to continue.

Opposition parties, which have long opposed the VAT idea, seized on the Recruit scandal as evidence of a need for stiffer reforms. They also demanded a full inquiry. The Government resisted, but three weeks ago another scandal emerged. The shares of Sankyo Seiki, a small engineering company, soared in advance of an announcement that Nippon Steel was buying an 18 per cent stake. A Tokyo Stock Exchange report revealed that 34 employees of the two companies were buying Sankyo shares in advance of the announcement.

Both the Government and the business community have been on the run. Regulatory changes which were already in the pipeline have been brought forward with a fanfare, as evidence of a determination to clean things up. Leading newspapers have been running articles explaining everything from the ethics of Japanese politics to the definition of insider dealing.

Another scandal from earlier this year, involving tax evasion on a grand scale, has been dragged into the discussions. Mr Isao Nakaseko, owner of Meidenko, an engineering company, is being prosecuted for allegedly evading tax on share trading, using 207 different accounts. The public prosecutor rejected allegations that politicians – beneficiaries of some of the deals – had received bribes from the company on the grounds that the suspects had not been in positions of authority.

A key issue in both the Recruit and Meidenko affairs is the role that stock trading has come to play in financing politics. Big business meets much of the ruling Liberal Democratic Party's costs through direct donations and by buying tickets for lavish fund-raising parties. But politicians have also boosted their income through the 1980s stock market boom.

Such behaviour has been tolerated in Japanese political life principally because politics, especially ruling party politics, is intimately connected with money. Gifts and lavish hospitality support the web of contacts which brings politics and business close together. The boundaries of propriety are flexible. Earlier this year, Mr Nihachiro Hanamura, an adviser to Keidanren, the powerful federation of economic associations, and the man responsible for co-ordinating political fund-raising, said in an interview: "I have seen something of the muddy side of the world. If the straightforward salaryman were to step into it he'd probably be quite surprised."

Even though the salaryman may not see much of the muddy side, he has caught a glimpse of it this summer and does not like it. Wage earners have in any case become angry at the growing gap between the wealthy élite and the rest, especially in Tokyo where the average family can no longer afford to buy a tiny apartment.

Mr Yuji Tsushima, the LDP treasurer, says the present situation is "indeed embarrassing". As a result, the party has given ground on tax reform, offering to toughen up the capital gains tax provisions and introduce a tax on political funds raised at parties. It may be too little too late.

The scale of opposition has suddenly become apparent in a gubernatorial election campaign in Fukushima prefecture, north of Tokyo. A renegade LDP member has defied party orders and is running against the official party candidate. Moreover, he has done something hitherto unthinkable – signing an anti-tax bill pact with the opposition Japan Socialist Party. To cap it all, it looks like he might win. The vote is on Sunday.

It all looks like a replay of the abortive attempt by Mr Yasuhiro Nakasone last year to pass tax reform. His plan was withdrawn when an LDP candidate was soundly defeated in a by-election.

For the moment, the reform bill is stymied in the Diet as LDP and opposition party leaders negotiate on terms for its passage. The bill's withdrawal or failure could well bring down Mr Takeshita and a number of his cabinet ministers. The prime minister has said publicly that he is staking his future on it. In the financial markets, the main impact of the scandals has been to give fresh impetus to a campaign by the finance ministry to improve standards of disclosure.

A new code, defining inside information and categories of potential insider dealers, is being brought into effect next April. Financial industry bodies are laying down new regulations. Securities brokers and banks are building Chinese walls.

Western stockbrokers are quick to say that all this is meaningless unless attitudes change. "Telling a Japanese businessman that he cannot have access to privileged information is like telling him that he cannot have access to his wife," one said.

But there are signs that the ministry's campaign is having an effect. Earlier this month, Canon, the camera maker, scrapped its time-honoured practice of giving a private explanation of its financial results to leading shareholders a few hours before they were publicly announced. Tokyo Stock Exchange officials expect other companies to do the same.

There is then some evidence for the belief that attitudes are changing. One Western stockbroker says: "The Japanese recognise that they cannot continue to operate the world's biggest stock market like a casino."

However, reform has its limits. The results of the inquiry into insider dealing at Nippon Steel and Sankyo Seiki were widely seen as unsatisfactory because the stock exchange refused to identify the chief suspects. The stock exchange's 30-strong market surveillance office, plus the finance ministry's 17-man team, cannot cover much ground. Moreover, stock exchange officials see themselves more as teachers than policemen.

There is a deep-rooted sense that industrial companies, financial groups and the ministry are all on the same side. The ministry will not want to hustle the market to the point at which it finds itself treated as an outsider. Nor will the market's insiders want to cut the ministry out – remembering, for example, how the ministry guided the Big Four brokers (Nomura, Daiwa, Nikko and Yamaichi) to support the market during the October crash last year.

Another obstacle to reform is the concentration of power in the stock market. The Big Four handle 40 per cent of all trades (more if affiliates are included) so they control a huge amount of information which is spread more widely in London and New York.

Then there is the influence of the families of companies with interlocking shareholdings which loom large in Japanese industry. It is one thing for Canon, an independent and internationally-known company, to break with the past. It would be quite another for companies in the Mitsubishi group, whose links date back 100 years, to do the same.

But even at the deepest levels in Japanese corporate structure there are signs of change. The ties between companies and their main banks are being weakened as more groups shop around for the best banking services. Institutional investors, hitherto often happy to hold shares for years, will slowly be put under pressure to review portfolios as investment performance measurement becomes more popular in Japan.

The hope is that the efforts to raise standards of disclosure will bolster confidence in the stock market. But there is a nagging fear in the minds of a few Japanese fund managers that the scandals might have the opposite effect – and scare away investors. It would be ironic if the Tokyo market, having weathered the global crash of 1987, drowned instead in a storm of its own making in 1988.

LOMBARD

Divest, diversify or die

By Christopher Lorenz

IN THE SPACE of less than three days, the much-trumpeted revitalisation programmes of two old-line US manufacturers came to an inglorious end this week. First, American Can, now known as Primerica and with its assets reinvested in a broad range of stockbroking and other financial services, sold out in a $1.7bn deal to Commercial Credit, a consumer finance company.

Then Gould, which over the past 20 years had diversified from batteries into high-technology defence electronics, semiconductors, and a conglomerate-like list of other businesses, agreed to be bought for $1.1bn by Nippon Mining, a Japanese company with interests in metals, chemicals and opt-electronics.

In Primerica's case, the decision seems to have resulted mainly from the impact of last October's Wall Street crash on one unit, the Smith Barney investment banking and securities firm. At Gould, the cause was broader and more long-term: the sub-standard performance of its portfolio over several years, which had already caused it to run down its business to half the level of the mid-1980s, mainly through asset sales.

Despite the differing circumstances, the two exits have common origins and provide a salutary warning to the multitude of companies in mature industries around the world which have embarked on ambitious strategies of diversifying their way to growth. They also raise the familiar question of whether the beleaguered managements of dinosaurs should instead run them down and distribute the proceeds to shareholders.

After all the stumbling of the past two decades, in both the US and Europe, the difficulty of managing radical diversification is only too well documented. Examples abound, be it US General Electric's travails in factory automation, or Volkswagen's ill-starred foray into office electronics. So do business school and consultancy studies: a Harvard research project into the diversification records of 33 large US companies since 1950 shows that acquisitions unrelated to their basic businesses have almost invariably failed, while an Anglo-American study by McKinsey & Co puts the failure rate at more than 85 per cent for large takeovers of this kind.

There are few successful exceptions. BSN, the French glassmaker, was reborn almost a decade ago as one of the world's leading processed food companies. But many more similar companies have been less focused, turning themselves into conglomerates which have yet to demonstrate a sustainable strategy over the long term; Mannesmann, the West German steel and pipes company, is a case in point, as is USX, the American steel major which has moved heavily into oil and gas.

In contrast with the poor track record of unrelated diversification, most research suggests that takeovers have a far higher chance of success – though still only 50 per cent – when they are in fields closely related to the acquirer's established range of businesses, or which require very similar management skills, as with the purchases by Hanson, the UK conglomerate.

None of this is much comfort to the many companies which are convinced, as were American Can and Gould, that their original businesses are dying, and that related diversification is therefore a non-starter. For them, the available options are few. If reinvestment in the core business through new technology and changed working practices is really not a profitable avenue – and too many western sectors have been written off prematurely as "sunset industries" – then the only alternative to diversifying is to divest the entire company.

The latter course was followed single-mindedly a few years ago by Celanese, the US fibres maker. After winding the business down over a period while paying handsome dividends, it sold out to Hoechst of West Germany – to the applause of its shareholders and Wall Street. Few other industrial dinosaurs have acted with similar boldness, either because their country's tax laws discourage such asset distribution, or because of the management's instinct for self-preservation. Yet such a step is preferable, for managers as much as shareholders, to pursuing a dubious diversification drive.

LETTERS

'Company objectives' come in different models

From Dr A.J. Berry

Sir, Mr Hunt (Letters, August 30) gives as the "classical model" that the prime objective of the company is the maximisation of shareholders' wealth, defining this as the discounted value of future cash flows.

Sir Karl Popper has recently reminded us that the inherent assumption of certainty here is misleading. So the classical model devolves to an attempt to make judgements upon different "probabilisitic" formulations of *net* present value. This entails estimating the probability distributions of the cash flows, the discount rate and the length of "future time".

Thus modified, the classical model seems to lose its charm – not only because of the inherent difficulties, but perhaps because future discount rates are affected by present behaviour. Certainly, future cash flows are affected by decisions about revenues and costs; the latter a matter of conflict between owners and employees.

Mr Turner (if he will forgive an academic rumination) sees the solution to some of these difficulties by creating an identity between the interests of employees and shareholders (Letters, August 30). This espousal of self managed co-operatives is a welcome antithesis to the current wave of separating out co-operative and state enterprises into public limited companies (plc). However, the inherent uncertainty is otherwise unaffected, leaving us with the same problems of acting with uncertainty attending the consequences of our actions.

Perhaps some solace may be found for us all in the research which found that shareholders attained, over long time periods, a premium of between 10 per cent and 12 per cent over gilt-edged holders. This, it is held, was to compensate shareholders for taking higher "risks". It is always nice to see human adaptability in the face of uncertainty.

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From Mr Simon Wilson.

Sir, Lex's "Shareholder value," (August 30) and the debate about a company's objectives (Letters, August 1, 24, 30) all seem to omit management's attitude to risk, which affects its setting of objectives for the company. I say *management's* objectives, not *the company's* objectives: management acts as the agent of shareholders (and stakeholders, if you believe the theory).

If, as Lex points out, the only sure way to maximise shareholder returns is to act under the constant threat of takeover (in stock market-driven economies like the UK and the US this would be true, but probably not in bank-driven economies like Japan and West Germany), then management is likely to be highly motivated to remain independent.

In order to remain bid-proof, there is an argument which says that size (in terms of market capitalisation) should be the prime objective. This involves two variables: capital asset size and share price. In order to gain "bigness," management is concerned with attaining a large capital asset size which leads it down the acquisition path. In order to maintain share price, management is concerned with the avoidance of risk.

Motivation to remain independent could thus cause management to be risk averse, contrary to what the Capital Asset Pricing Model teaches us. It would be concerned to avoid the risk which would threaten the company with takeover. Union Carbide's Bhopal disaster, and threatened takeover by GAF, is an example.

Another could arise from the firm's exposure to a cost-base in a single currency which appreciates in real terms, so that the firm becomes uncompetitive either domestically or internationally.

So management, motivated by its own attitude to risk, could set objectives other than maximising shareholder returns or acting in the interests of other stakeholders. Investors probably recognise this, and rate companies accordingly.

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Burma reporting attacked

From Mr William Crawley.

Sir, "Burma: a revolution without leadership" (FT, August 26) draws attention to the very wide audience the BBC Burmese Service has been attracting during the disturbances of the past weeks. The Burmese government's public attacks on the BBC have indicated its apparent concern at the influence this open channel of information may have been having on events in Burma.

However, your correspondent's reference to BBC Burmese staff being criticised for allegedly "softening" the news should be answered.

An article containing similar criticism of the BBC Burmese Service was published in the Observer newspaper on July 24. The many inaccuracies in that article were dealt with by Mr John Tusa, managing director of the BBC World Service, in a letter published in the Observer on July 31. The charge of "softening" the news was not justified, and I am surprised that your correspondent should have repeated it without any attempt at substantiation.

Moreover, while information from diplomatic sources has been frequently quoted by the international media, including the BBC, it would be wrong to suggest that the BBC is wholly dependent on them.

A visiting BBC correspondent was reporting directly from Rangoon during the days following the resignation of Ne Win, the former party chairman, in July, and varied news sources inside the country have continued to contribute to BBC reporting and assessments of events in Burma.

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Mailfist talk does not help

From Mr Peter Wood.

Sir, The managing director of TNT Express, Mr Alan Jones, claims that his company could compete with the Post Office in delivering letters and parcels anywhere in Britain.

It is an impressive claim and, if feasible, would justify Mr Peter Clarke's more modest claim (Letters, August 31) that "private carriers could deliver letters, just as they do milk and newspapers."

Scepticism about Mr Clarke's easy opting out of the Royal Mail seems to be in order; however, and if the smaller claim is in doubt, what of the greater? While hundreds of businesses can opt out of the Royal Mail through the use of fax for documents and business correspondence (increasing their costs considerably in the process), there is a whole range of items, such as specialist news services, international newspapers, scientific data and so on, whose reception either does not sit easily with fax and other technology or where on-line reception would be so expensive as to make these operations unsustainable.

It would be useful, for a start, if the Financial Times were to give Mr Jones the opportunity to justify his very large claim in detail, especially since competition with the Post Office would involve offering a better – and not simply a parallel – service.

Meanwhile, any important change would require legislation, and so is a long way off. Looking at today and tomorrow, should not our main focus be on the reasons for the current dispute, and the evident failure of Post Office management to create a motivated work force, rather than contributing to worsening industrial relations in the Post Office by talking in terms of smashing a monopoly?

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FINANCIAL TIMES
Friday September 2 1988

Explosion closes Kabul airport after rocket attack

By Christina Lamb in Islamabad and Robin Pauley, Asia Editor, in London

A HUGE EXPLOSION closed Kabul airport yesterday following a rocket attack by Afghan resistance groups. The attack detonated an ammunition depot, setting off a large number of stored rockets which rained down on the airport and city.

Western diplomats said parts of the airport and city were ablaze after the attack, which "blew the airport apart". The shockwaves were felt throughout Kabul and plumes of thickblack smoke rose above the airport buildings.

Several aircraft were seriously damaged in the attack, together with airport buildings. The presidential palace, the headquarters of the People's Democratic Party of Afghanistan, and the area in which Soviet advisers to the Kabul regime are stationed, were all also reported to have been seriously damaged.

The attack was the fifth on Kabul airport in recent weeks and is believed to be part of the strategy of Abdul Haq, a senior guerrilla commander for the Kabul area.

He has argued that the capital is the key to control of Afghanistan and so civilian casualties should be kept to a minimum in other towns while a concerted effort is launched against Kabul to inflict damage on the departing Soviet occupation forces and to destabilise and demoralise the Kabul regime and its armed forces.

The Soviets, who have withdrawn about half of their 115,000 troops, have made a point of trying to protect all airports because they are crucial both for the withdrawal and for the chances of the Kabul regime surviving once the Soviets have gone.

However, they have suffered severe losses at Kabul airport, partly because of inadequate precautions.

Yesterday's was the second rocket attack on the airport in a few days and again demonstrates that while the capital is in no imminent danger of falling to the Mujahideen the guerrillas are finding it ever easier to make devastating strikes on key targets in Kabul.

Last Saturday about 20 rockets blasted the airport, damaging the main runway and causing all flights to be diverted.

Turkish 'guest workers' dilemma for Bonn

David Goodhart reports on West Germany's problem of alien integration

THE MAN from the ministry did not mince his words. "A lot of these people are extreme nationalists, worse than Hitler," said Mr Alfred Oeffner. A less emotive comparison might have been expected from a West German official responsible for the integration of minorities.

But there is an unashamed directness – even in Government-speak – about the problems of race, nationality and integration in West Germany, a directness which only sometimes verges on the illiberal.

The official guide to aliens policy, for example, asserts a man-in-the-street view of absorption capacity: "The 4.6m aliens already admitted to the country (7.6 per cent of the population) means that the receptive capacity of the Federal Republic is exhausted; in some densely-populated areas the percentage of aliens is over 20 per cent and thus exceeds the limits of receptivity."

One of the legacies of Germany's Nazi past is an extremely open official attitude to refugees. That does not, however, always extend to the quaintly named "guest workers" who make up most of the 4.6m non-Germans and who are not (at least in the first generation) encouraged to integrate or take German nationality.

Another legacy of the Nazi period is that much of the rest of the world continues, at least in private, to regard West Germany as seething with xenophobes. One well known American economist believes that the primary cause of slower growth in West Germany is fear that faster growth would suck in too many guest workers.

Perhaps the historic lack of a clear political identity has prompted greater consciousness of an ethnic German-ness beyond national boundaries. There is some anxiety about the consequences of a falling West German birth rate.

But there is no reason to suppose that ethnic minorities have a harder time in West Germany than elsewhere in Europe – probably the reverse, at least in material terms. There is no Le Pen and no Marseilles. And reluctance to grant national status is a feature of

Turkish guest workers are given German language lessons before being absorbed into the country's manpower-hungry factories in the early 1970s. Now foreigners are less welcome

most immigrant-receiving European states except where the issue is complicated by empire.

Indeed the grumbles about the ethnic Germans currently flooding into the country (200,000 this year) from the East bloc suggests that the bloody-minded dislike of supposed free-loaders is at least free of racial bias. As one woman told a local paper: "These people from the East come here and expect us to do everything for them, at least the Turks are prepared to work."

In the past 20 years the trickle of ethnic Germans from the East has generally integrated well, although some have found it disorienting. The current wave may be more difficult to integrate because of their numbers and near 9 per cent unemployment. But there is some hope that they might act as an economic stimulant as, on a larger scale, their 11m predecessors from the East did just after the Second World War.

It was after West German industry had absorbed those Eastern refugees and continued to hunger for labour that the Government went south to Italy, Spain, Portugal, Greece, and Yugoslavia to recruit. It then had to choose between North Africa or Turkey and chose the latter, partly because of historical links – hence the 1.5m Turks (500,000 employees) living in West Germany today, easily the largest minority.

From the mid-1960s to the early 1970s the Turks poured in – often more than 100,000 a year – turning large areas of major towns into Turkish ghettoes and keeping the steel, coal and car industries on their feet.

In 1973 came the oil crisis and recruitment was abruptly stopped. But when it became clear that many of the guests were settling in for a longer than expected stay, and inviting in their families, some of the hosts became less than welcoming.

It was partly in response to ugly incidents in the late 1970s and early 1980s, when unemployment began to take-off, that the Government launched its voluntary repatriation scheme offering DM30,000 ($16,000) to returning families. This was grasped by more than 200,000 Turks who saw it as a short-cut to saving the money for a small business, which is why many had gone to West Germany in the first place.

The number of Turks is, none the less, set to rise slowly thanks to the continuing inflow of asylum-seekers and the higher birth rate. The number could reach 2m at the beginning of the next century unless an economic miracle in Turkey lures some back.

But the Bonn Government – despite occasional brusqueness – is not about to abandon its responsibilities or seek mass deportation. A large majority of Turks have been in West Germany for more than 10 years (as have more than 60 per cent of all non-Germans) and a growing minority were born in West Germany.

The standard entry permit requires a Turk to work for the same company for a minimum of five years, but this is not strictly enforced. After five years most forms of welfare become available (unemployment pay can be obtained earlier) and it is easier to import a family. After eight years a guest worker is immovable.

Aside from the right to vote, a Turk thus enjoys most of the rights of an ordinary German citizen, including full participation in companies' works councils. But less than 1 per cent have taken the extra step to claim citizenship, reflecting the very low level of assimilation.

The resistance has been mutual. Many of the first generation immigrants come from the land and retain strong, simple, beliefs in the family, Islam, and their own nation (Kurdish as well as Turkish) to which they dream of returning.

Integration is seen as betrayal and is not encouraged by the Turkish Government for nationalist and economic reasons. The Turkish economy last year received DM2.35bn (down from DM3.6bn in 1984) in remittances from workers in West Germany. That is vital for the Turkish balance of payments and the Government fears greater integration equals declining cash flow.

The West German authorities, having positively discouraged naturalisation of the first generation, may find it difficult to change tack for the second and third. The second generation, who arrived as children or teenagers, represent a particularly acute problem. They are caught between cultures, often following their parents in rejecting integration into West Germany but finding Turkish culture even more alien.

The unskilled manual jobs that their fathers came to fill are also disappearing and Turks have not, partly because of domestic restrictions and partly because of language problems, been able to copy successful immigrants elsewhere and move in large numbers into the service sector. Consequently, unemployment among young Turks exceeds 20 per cent.

Turkish life in West Germany often seems introverted and joyless, crouching in the shadows of the dominant culture, which is perhaps why – as Mr Oeffner pointed out – extremism flourishes, from Kurdish Communists to Islamic fundamentalists and neo-fascist Grey Wolves.

There are a fair number of well-integrated middle-class, educated Turks in West Germany but they generally seem uninterested in contact with their working-class countrymen. There are few well-known community spokesmen and Turks are seldom seen on television.

The Turks may find they are more appreciated after the middle of the next decade when the number of available workers (and thus unemployment) falls off sharply. It is, however, unlikely that – short of Turkish entry into the EC – the door will be opened to new immigration, especially as Greek workers already have free access and the Spanish and Portuguese follow in 1993.

In the meantime, German authorities need to follow up their rhetoric about integrating younger Turks with more positive inducements. Voting rights at local level or military service in the army might help, and the cost of naturalisation should also be cut. But it will be several decades before only the distinctive names remain as evidence of "alien" roots.

THE LEX COLUMN

Checking the sums on sterling

The most worrying aspect of the sharp fall in sterling yesterday afternoon was the lack of explanation. The idea that the latest UK weekly banking returns should account for a 3-pfennig fall in sterling in a couple of hours is unreasonable. Given the authorities' concerns about inflation, bad money figures should be good for the pound because they point to yet higher interest rates. However, all the old bullish arguments for sterling are presently being rechecked; and while recent events may well be just another bout of midsummer madness in the foreign exchange markets, the health of sterling is now a matter of some dispute.

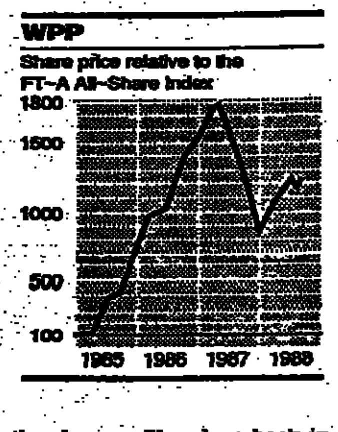
The reassuring way of interpreting yesterday's activity is that the speculators, having tired of the yen, decided to have a go at sterling. If so, the combination of continued intervention and the recent substantial widening in UK interest rate differentials should prevent sterling tumbling dramatically further. However, there is also an outside possibility that international sentiment has been so badly shaken by last week's terrible UK trade figures that concerns about the credibility of UK economic policies are now outweighing the interest rate arguments.

This is almost certainly too bearish a view. But the authorities now face a serious dilemma, since it will be several months before the economic data show whether they have done enough to correct the imbalances in the economy. The equity market is understandably worried that they may meanwhile be forced into taking action which they will live to regret.

RHM

Wrongfooted yet again over RHM yesterday, the market was disposed to round on Goodman Fielder and accuse it of loss of nerve. This is not wholly fair. At a time of rising interest rates and turbulent equity markets, waiting up to six months for an MMC ruling may not make commercial sense; especially since there would be no guarantee, even were the bid cleared, that RHM would still be available at a price Goodman could afford.

In pushing the price down 21p to 387p yesterday, the market was plainly inferring that Goodman has yet to find a serious buyer for its stake. That may well be right, but neither is the price yet suggesting that



the shares will end up back in the market. Shorn of bid premium, RHM might be worth nine or ten times next year's earnings, which would coincidentally work out at around the 330p Goodman would need to break even on the whole transaction. But if the market seriously thought that it was about to be landed with 30 per cent of a stock which no-one wanted to bid for, the price would surely be lower still.

At such a level, there would simply be no incentive for Goodman to sell; indeed, its advisers talk defiantly of 400p-plus as a minimum target. Sabre-rattling apart, the fact is that if an outright bidder cannot be found, it is in RHM's interest, as well as Goodman's, to find the stake a good home. What makes the sums puzzling for the market is that it could be a long, long process.

WPP

Mr Martin Sorrell is such a virtuoso communicator that it was odd to hear analysts complaining about insufficient advance warning of yesterday's excellent interim results. Still odder was the 3.5 per cent fall in the WPP share price which greeted the 50 per cent rise in earnings; perhaps someone heard that IBM had taken its business elsewhere. Even if true, the main blow of losing Big Blue would be psychological, as the entire profit of the Lord Geller agency, which handles the IBM account, is currently wiped out by the legal costs of pursuing ex-employees anyway. Moreover, finding new business does not seem to be a problem, if the first half is anything to go by.

The speed with which WPP is returning JWT to financial respectability, and is reducing its giddy level of debt, must pacify those nervous about the daring of that acquisition. Some might still worry that the radical remedial action at JWT may have done irreparable damage to morale, or fear that the larger the leap made now the sooner WPP will return to more normal growth. Yet preferring jam tomorrow to jam today seems perverse, and in any case there seems enough jam about to make a prospective p/e less than 12 look low for a recovery stock, even in an unloved sector.

Cadbury

The market may still think of Cadbury as a takeover waiting to happen, but less so all the time. The fundamentals of a nearly 30 per cent rise in half year earnings per share – and the prospect of an increase just short of that for the full year – are quickly reducing the bid premium in the share price. That is not to say that Cadbury would still merit a rating of 14½ times prospective earnings if General Cinema took its attentions elsewhere; but earnings growth of this order must be worth something over the food sector multiple of 12.

Cadbury is obviously pushing hard to keep earnings performance one step ahead of the predators, and shareholders can have found little cause for disappointment in yesterday's results. And the prospect of losing its premier UK beverages business to Coca-Cola in the event of a bid will presumably also do something to keep the likes of GrandMet on the outside. But with $270m extra from Hershey reducing gearing to single figures by year end, Cadbury will need to make quick work of a few Continental acquisitions to put its gearing back into the sort of range which would not look like an invitation.

Beecham

The market's calm response to the departure of Beecham's managing director should not be taken as any criticism of Mr Robb's abilities. It has yet to be seen whether the company is wise to revert to combining the offices of chairman and chief executive; but with both men consumer marketers by training, it was perhaps to be foreseen that there would be little for Mr Robb to do once Mr Bauman had worked himself in. Having seen the group through the worst after the sacking of the previous chairman three years ago, the departing MD will doubtless not lack employment elsewhere.

Polish strikers respond to call by Walesa for return to work

By Christopher Bobinski in Warsaw

POLISH STRIKERS have begun to return to work in response to a call by Mr Lech Walesa, the Solidarity leader. However, there are doubts that negotiations promised by the Government will lead to the recognition of the banned union that they have been demanding.

Yesterday afternoon some 2,000 strikers left the Lenin shipyard in Gdansk after the strike committee there called off the stoppage. The other Gdansk yards also decided to return to work, as did the city's port.

But in a morning rally at the Lenin yard some strikers reacted angrily to the news of the decision. They heard Mr Walesa say: "We can't achieve more at this time. I gained 100 per cent of what could be gained considering the clout I had at my disposal."

Mr Walesa met General Czeslaw Kiszczak, the Interior Minister, on Wednesday and heard him confirm that the subject of a role for Solidarity in Poland would be discussed in projected round-table talks.

The Solidarity leader told his supporters in Gdansk: "I am seeking agreement. I don't doubt the authorities have embarked on this road and I've drawn my conclusions."

Strikes continued yesterday in Szczecin (in the port and a bus depot), in the Manifest Lipcowy mine in southern Poland and in the Stalowa Wola engineering works.

The government spokesman, Mr Jerzy Urban, hinted yesterday that the authorities might use force at Stalowa Wola, which also produces military equipment, if the stoppage there did not end soon. The authorities have also confirmed that a police officer in the works had died after a shooting incident.

Meanwhile, the Parliament's Economic Reform Committee went into the second day of a special meeting devoted to examining the Government's record in this field.

Mr Zbigniew Messner, the Prime Minister, defended his team while facing calls by representatives of the official trade unions for a vote of no confidence in the Government.

However, it seems that for the moment General Wojciech Jaruzelski, the party leader, has decided to retain Mr Messner in his job, although a major reshuffle appears to be in the offing.

Mr Boleslaw Struzek from the Peasant Party proposed at the meeting that representatives of the "constructive opposition" should be brought into the Government.

This suggests that the idea could come up in the talks with Solidarity as part of the Government's strategy of attempting to draw the opposition into economic decision-making.

US refuses to lift tariffs on Japanese products

By Louise Kehoe in San Francisco

THE US has refused to lift punitive tariffs imposed against selected Japanese products last year in retaliation for alleged Japanese breaches of the 1986 US Japanese Semiconductor Trade Agreement.

Under the terms of the controversial trade pact, Japan agreed to stop dumping memory chips and to open its semiconductor market to foreign suppliers. The US claims that Japanese efforts to increase purchases of foreign-made chips are insufficient and that the foreign share of the Japanese market remains below agreed levels.

The tariffs, in the form of 100 per cent import duties on about $150m of Japanese goods, have little financial impact but have become the source of major friction between the US and Japan because they symbolise the hard line that the US is taking over the semiconductor trade issue.

The US refusal to lift the tariffs came at bilateral chip talks held in Hawaii this week. At the conclusion of the talks, officials from Japan's Ministry of International Trade and Industry (Miti) claimed that Japanese purchases of foreign-made chips increased by 70 per cent (measured in dollars) in the second quarter compared to the same period last year. The increase, according to Miti, raised the foreign share of Japanese chip sales to 10.4 per cent.

US industry and government delegates at the talks were en route to the mainland and could not be reached for comment yesterday.

A spokesman in the US Trade Representative's office said, however, that the US had not intended to lift the tariffs and remained dissatisfied with the current level of foreign chip sales in Japan.

Japan 'to strengthen role in telecoms,' Page 4

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	28	82	Malta	S	36	97	Rhodes	S	32	90
Algiers	S	31	88	Edinburgh	R	15	59	Manchester	C	16	61	Rio de J'o	C	36	97
Amsterdam	C	17	63	Faro	S	23	73	Manila	F	34	93	Rome	C	32	90
Athens	F	36	97	Florence	S	30	86	Melbourne	-	—	—	Salzburg	S	27	81
Bahrain	F	37	99	Frankfurt	F	25	77	Mexico City	C	23	73	San Francisco	F	20	68
Bangkok	F	33	91	Funchal	S	25	77	Miami	F	30	86	Seoul	F	27	81
Barcelona	F	28	82	Geneva	F	24	75	Milan	S	25	77	Singapore	C	31	88
Beirut	F	30	86	Gibraltar	S	27	81	Montreal	C	21	70	Stockholm	F	20	68
Belfast	C	15	59	Glasgow	R	15	59	Moscow	C	20	68	Strasbourg	C	25	77
Belgrade	F	31	88	Guernsey	C	15	59	Munich	S	26	79	Sydney	C	21	70
Berlin	S	24	75	Helsinki	R	15	59	Nairobi	F	28	82	Taipei	F	33	91
Biarritz	F	25	77	H Kong	C	29	84	Naples	F	28	82	Tangier	F	23	73
Bombay	-	—	—	Innsbruck	S	25	77	Nassau	F	31	88	Tel Aviv	F	30	86
Bordeaux	R	22	72	Inverness	R	15	59	New Delhi	F	36	97	Tenerife	S	25	77
Brussels	C	19	66	Islamabad	F	36	97	New York	F	28	82	Tokyo	C	30	86
Budapest	F	28	82	Istanbul	F	31	88	Nice	S	26	79	Toronto	C	22	72
B Aires	C	15	59	Jakarta	F	34	93	Nicosia	F	30	86	Tunis	S	42	108
Cairo	F	34	93	Jersey	C	15	59	Oporto	R	18	64	Valencia	S	33	91
Cape Town	-	—	—	Jo'burg	F	19	66	Oslo	R	18	64	Venice	S	25	77
Caracas	C	29	85	Lima	C	17	63	Paris	R	23	73	Vienna	S	26	79
Casablanca	S	24	75	Lisbon	C	25	77	Peking	-	—	—	Warsaw	S	23	73
Chicago	C	28	82	London	R	18	64	Prague	S	24	75	Washington	S	18	64
Cologne	C	22	72	Los Angeles	F	29	84	Reykjavik	F	11	52	Zurich	S	22	72
Copenhagen	S	20	68	Luxembourg	C	22	72								
Corfu	S	32	90	Madrid	S	25	77								
Dallas	S	21	70	Majorca	F	28	82								
Dublin	R	18	64	Malaga	S	32	90								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bank intervenes as pound falls

Continued from Page 1

weekly. The consensus forecast was for an annual growth of around 7.7 per cent, up on July's 7 per cent growth. In June, when M0's annual rate was 7.7 per cent the Treasury said it had peaked.

Yesterday was the second time since last Thursday that the Bank has been forced to defend the pound through currency market intervention. On Thursday, interest rates were also raised to 12 per cent in a move to support the currency

UK sends second envoy

Continued from Page 1

when accused of criminal activities.

But for the last two months France has again been represented by a full embassy in Tehran and is actively seeking contracts – as are West Germany, Italy and Japan which have managed to maintain good relations with Iran throughout the turbulent years of revolution and war since 1979.

Since 1980 the British embassy in Tehran has been operating officially as a "British interests section" under the Swedish flag.

The official reason for further hesitation is anxiety over the guarantee of safety for British representatives. There are other problems in Anglo-Iranian relations – notably the continued imprisonment without trial in Tehran of two British citizens, Mr Roger Cooper and Mr Nicholas Nicola – but it is now felt in Whitehall that such problems are more likely to be resolved if the two governments' diplomatic relations are normalised on a fully reciprocal basis.

Beecham managing director quits in shake-up

By Christopher Parkes, Consumer Industries Editor

MR JOHN ROBB, managing director of the Beecham group since the boardroom coup of November 1985, resigned yesterday.

His departure coincided with the completion of a series of structural and management changes in the drugs and consumer products multinational which had greatly reduced his influence and responsibilities.

Beecham has grouped all consumer products businesses – including beverages such as Lucozade, toothpastes including Macleans, Brylcreem haircare and over-the-counter (OTC) medicines such as Beechams Powders – under a single management team.

It will be headed by Mr John Hunter, 51, currently chairman of Beecham Products Europe & International. He will report to Mr Bob Bauman, executive chairman, in common with the heads of the pharmaceuticals and cosmetics divisions, which have been regrouped in the past 18 months.

Mr James Andress, former president of Sterling Health of the US, was appointed chairman of the revamped pharmaceuticals business in July. The cosmetics operations is controlled by Mr Bernard Nicholson.

Mr Robb, 52, said that after virtually running the company for a year until the arrival of Mr Bauman from Textron, a US aerospace company in August 1986, he had felt his influence being eroded.

"I have been a loyal Beechams man but not so loyal as to sit down and draw a big salary for doing nothing," he added. Although his resignation takes effect immediately, Mr Robb is remaining at the company for the time being.

Changes in the consumer products business, Mr Robb's speciality, involve consolidation of eight operating divisions into five geographical groups. In the US, for example, the Norcliff Thayer non-prescription drugs company in New York and the Beecham Products operation in Pittsburgh will be run as one business.

The UK food business is to be combined with OTC drugs and toiletries.

Although rationalisation is expected to cut costs, no decisions have yet been taken on combining administration or other functions, the company said.

The new structure is expected to lead to closer co-operation between research, development and marketing of new global products.

Beecham started restructuring by selling non-core businesses shortly after Mr Robb took charge. It has changed markedly since 1985 when Sir Ronald Halstead was ousted after only 15 months as chairman and chief executive because he failed to improve lacklustre results.

Lex, Page 16

Bauman medicine holds promise of healthy future

Peter Marsh and Christopher Parkes examine the restructuring of a major UK drugs group

Mr Bob Bauman is "feeling good." It is a phrase he is fond of and one he would like others to use when considering Beecham, the health care and consumer products multinational he took in hand two years ago this month.

Until recently, to fend off probing questions, he was equally fond of saying he had been with the company for only a little while and still had a lot to learn.

Now the learning curve has apparently flattened. Mr John Robb, the group managing director who held his hand in the early months, and became increasingly redundant as Mr Bauman got to grips, resigned yesterday. To add to the feeling that a new era was dawning, the group announced simultaneously that its consumer products business was to be restructured root and branch.

Following similar moves in pharmaceuticals and cosmetics, beverages, toiletries and over-the-counter drugs have been boiled down from eight separate operating divisions into five new geographical groups under Mr John Hunter, reporting directly to executive chairman Bauman.

London's business community was left "feeling good" yesterday after the moves - but only in parts. After changing virtually the entire board in the past two years, and talking constantly of superior earnings growth, Mr Bauman faces a testing time "to see if he is really up to scratch," says Ms Jenny Royal at the stockbrokers, James Capel

There are criticisms that the transformation of the consumer business might not be without its hiccups. However, Ms Susan Haylock of Barclays de Zoete Wedd, UK securities firm, points to potential cost savings from rationalisation in the division, and the fact that most of the executives in the new-look consumer business are relatively young and eager, and Beecham men of long experience.

The company was in a sorry state in the mid-1980s. It was earmarked as a potential takeover and bust-up target, following three years of flat earnings and the consequent ousting of many top managers, but is now considered to be out of the casualty ward and rapidly getting better. After a 1 per cent increase in 1986, earnings per share rose 16 per cent last year, and brokers forecast a similar increase in the current 12 months.

Much of the turnround is attributed to Mr Bauman, who, despite the air of nonchalance and ready smile, has been tough in forcing change.

Beecham is commonly thought of as one of Britain's post-war industrial success stories. In the 1960s and for much of the 1970s it was in the forefront of developments in antibiotics. But then it diversified, none too successfully, into do-it-yourself, cosmetics and alcoholic drinks.

It lost ground in the early 1980s, amid criticisms that it had grown complacent, prompting non-executive directors to head a boardroom coup in 1985 which led to the removal of Sir Ronald Halstead, the chairman.

Since then, Beecham has sold chunks of peripheral activities and focused on health care. Sales have so far netted more than £370m.

About a third of Beecham's £2.5bn turnover last year – and roughly half the trading profit of £410m – was accounted for by prescription pharmaceuticals.

Mr Bauman has also continued the process of removing many senior executives. He said recently – before yesterday's shuffles – that he had switched round 20 upper management posts, with eight of the replacements coming from outside the company.

After twice calling in management consultants, Beecham has turned its attention to all levels of management. The 150 most senior people in the company are being subjected to regular performance reviews and a similar system is being introduced to cover the 2,000 people who earn more than £30,000 a year.

Firm financial targets have been set, and the group has increased research and development (R&D) spending in the important drugs division – this went up from £63m in 1985 to £95m this year – and boosted budgets for advertising campaigns designed to draw attention to Beecham's leading consumer brands, such as Lucozade, Bovril and Tums.

Mr Bauman sees drugs R&D strategy as crucial. The company is still commonly thought of being too dependent on relatively old antibiotics products, although some promising medications are due to emerge onto world markets during the next few years. These include Eminase, a formulation to treat heart attacks, and Relifex, an anti-arthritis product.

Although Mr Bauman is the first to admit he is no expert on pharmaceuticals – his previous experience was in consumer packaged goods and aerospace – he says he has tried to pick up knowledge wherever he can.

In some ways, according to Mr Bauman, there are similiarities between drugs development and aerospace in terms of the long product lead times that apply to both disciplines.

Shortening these development times for new drugs is a priority, he said. In this area, Mr Bauman concedes Beecham has learned from the experiences of other big drug companies such as Glaxo

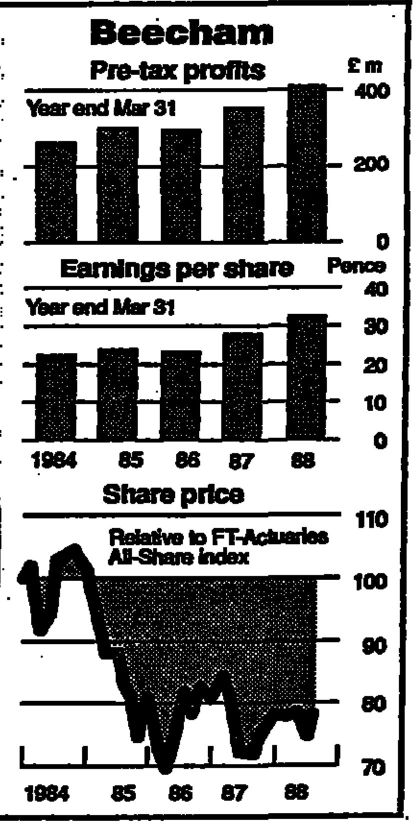
Above all, he is committed to motivation. "I'm trying to create an environment that encourages our employees to seek excellence. We must be dynamic and committed to winning," he says.

The sometimes too-pat terminology has encouraged scepticism about the man. Some observers reckon his management style cannot be as perfect as it appears.

But he believes he is making progress: "People feel better about the company. It's perceived to be better directed. It all helps to improve the atmosphere."

And he acknowledges there is still a long way to go before completing the turnround. "I said when I came here it would take

Bob Bauman



Liberty Life set to sell foreign interests

By Jim Jones in Johannesburg

LIBERTY LIFE, South African insurance group, is to relinquish direct control of its foreign interests by hiving them off to First Union General Investment Trust (Fugit), a separately-quoted subsidiary.

Fugit will sell its entire portfolio of South African shares to Liberty and buy Conduit Insurance Holdings, Liberty's wholly-owned British holding company.

Conduit's principal interest is 49 per cent of TransAtlantic Insurance Holdings, the Luxembourg listed vehicle for the group's three key British investments.

TransAtlantic owns 26 per cent of Sun Life insurance group, 64.4 per cent of Capital and Counties property company, and 41 per cent of Continental and Industrial Trust (CIT), an investment trust. Conduit owns another 29.5 per cent of CIT.

Prices will be determined early next month, but the companies estimate Fugit will need a rights issue of about R450m ($183.8m) to make up the difference in value between the shares it sells and the British assets it buys.

Mr Donald Gordon, Liberty's chairman, said there are no plans to develop the foreign interests to be held by Fugit.

As a result of the transaction, Fugit will lose its London Stock Exchange listing to be quoted only in Johannesburg.

Analysts believe Fugit's next move will be to acquire British or European assets by issuing its own paper, and gradually cut its South African shareholding below 50 per cent.

At that stage, analysts speculate, Fugit's domicile will be shifted out of South Africa. Fugit, currently 85 per cent owned, will end up 71.2 per cent held by Liberty and its associates.

Pernod-Ricard lifts stake in Irish Distillers

By Lisa Wood

PERNOD-RICARD, the French drinks group, announced yesterday that it had increased to 2.8 per cent its stake in Irish Distillers, which is the subject of a hostile I£253m ($338m) bid from Grand Metropolitan of Britain.

Pernod, which has been tipped as a possible white knight counter-bidder for Irish Distillers, is expected to clarify its intentions towards the whiskey manufacturer today.

The French company said on Tuesday it had increased its stake in Irish Distillers from less than 1 per cent to 2.8 per cent.

Goodman Fielder moves to sell shareholding in Ranks Hovis

By Nikki Tait in London

GOODMAN Fielder Wattie, the Australasian food group, yesterday put an official for sale sign over its 29.99 per cent stake in Ranks Hovis McDougall, the British food company with brand names including Mothers' Pride and Hovis bread, Robertson's jams and Mr Kipling cakes.

Goodman said the company had reviewed its position in the light of the referral of its £1.7bn ($2.7bn) bid for RHM to the Monopolies and Mergers Commission two weeks ago. It believed that "subject to receiving satisfactory proposals, it is now in the best interests of its shareholders for the company to dispose of its shareholding."

Goodman has therefore asked the commission to confirm that the reference will be laid aside.

Goodman's bid, which lapsed on the reference, was made on a highly-leveraged basis, that is, employing substantial bank loans. The Department of Trade and Industry explained the referral on grounds of "possible effects on competition, especially in the market for bread, arising out of the financing of the proposed acquisition."

Goodman said its decision to sell the stake, valued at just under £400m on yesterday's prices, had been reached after considering the costs and time involved in pursuing the reference, other international expansion opportunities and the undertakings requested by the Office of Fair Trading during the reference.

One concern on the last score was a possible restriction on voting rights to 15 per cent – a fairly standard requirement – during the inquiry. Moreover, although the commission was asked to report in three months, GFW was aware this could be extended.

There was also anxiety that RHM would be able to make a modest acquisition during the referral period.

The news surprised the stock market, where RHM shares have held fairly firm on hopes that GFW might sell the stake to a new suitor. The fact that a buyer has not yet been found sent the shares 21p lower to 387p. One analyst described the announcement as a bit of a distress notice.

Goodman, however, said yesterday that it had received a number of inquiries from several countries about the holding during the past few months, although no discussions were taking place before yesterday's announcement.

Fresh blow to Lloyd's broker

By Nick Bunker in London

PWS Holdings, a troubled medium-sized Lloyd's of London insurance broker, has suffered a further blow with the resignation of its chairman Mr Ron Peet after he protested about signs that a bitter personal battle was developing for control of the company.

Mr Peet, who was once chief executive of Legal & General, the large UK life insurer, said last night that he resigned from the PWS board at a meeting on Tuesday.

A public announcement of his resignation did not appear on the Stock Exchange TOPIC information service until 5.05pm yesterday.

The immediate cause of his departure was his anger at what he believed was a calculated leak to two British national newspapers last week of confidential PWS information detrimental to the group and to its former chief executive, Mr Ronnie Ben-Zur.

Mr Peet's resignation came less than four weeks after the departure of Mr Ben-Zur, a 34-year-old Israeli businessman.

Mr Ben-Zur resigned after the revelation that the group would have to write off £4m ($6.8m) following its disastrous acquisition of Glenn Nyhan & Associates, a San Francisco-based insurance broker specialising in managing mutual insurance schemes.

It has been an open secret in the Lloyd's community for the last few weeks that there was a danger of a struggle for control of the group developing between Mr Ben-Zur on the one hand, and two other PWS directors, Mr Malcolm Pearson and Mr David Springbett.

One key factor is that Mr Ben-Zur, his mother and his sisters control 42.5 per cent of the PWS group's shares via Opticford, a Cayman Islands company largely owned by a Ben-Zur family trust.

Yesterday's announcement said that Mr Pearson had taken over as chairman and Mr Springbett and Mr John Farmer had become deputy chairmen.

Mr Brian Sounes, a close associate of the Ben-Zur family, has stepped down from his post as PWS's acting chief executive.

INSIDE

Fishing for the right solution

Keeping fish on the move could be the key to maintaining the balance of marine and biological life in Scotland's lochs and coastal waters where fish farming is big industry. Bridget Bloom examines a report which warns against the harmful effects of such farming and describes ways to prevent this. Page 34

Tin Council pleads its case behind closed doors

On Monday, Justice Evans, a UK Commercial Court judge, will begin hearing in private an application by members of the International Tin Council (ITC), to strike out actions brought against them by six banks and nine brokers, all creditors of the insolvent ITC. Raymond Hughes reports on the details of this important hearing. Page 34

ABB lights merger fuse

The merger of Sweden's Asea and Brown Boveri of Switzerland last year created a heavy engineering business with $18bn sales and 1,100 factories. But ABB chairman Mr Percy Barnevik (left) observes: "The industry is fragmented and suffers from high cost, protectionism, lots of overcapacity and it badly needs a shake up. We ignited cross-border euphoria and have raised a lot of dust. There will be more global alliances and not just in our industry." Page 19

Mackenzie's sober reserve

The sober and down-to-earth reputation of Mr Michael Mackenzie has made him well-placed to handle the rigours of drafting a Canadian version of the new international capital standards. But many bankers are dismayed at the tough government stance on the issue. David Owen meets Canada's superintendent of financial institutions. Page 18

Profits pile up at Blackwood

BH

Blackwood Hodge, the world's largest distributor of earthmoving equipment, boosted pre-tax profits 36 per cent to £4.8m ($8.1m) in the first half partly as a result of expansion in the US. North American acquisitions also helped turnover to rise 40 per cent to £192.9m. UK sales increased only 4.6 per cent. Page 22

Healthy rise for Astra

A huge jump in sales of respiratory disease agents boosted first-half profits at Astra, Swedish pharmaceuticals company, by 13 per cent to SKr759m ($117.6m). Cardiovascular agent sales grew 6 per cent to SKr828m. Page 19

Not just between friends

Shareholders of Yale and Valor, locks and household appliances group, were the uneasy witnesses to a row between old friends as Michael Montague, chairman, was interrogated for more than an hour by Norman Davis, former company director. Clay Harris reports on the confrontation at the annual general meeting. Page 22

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (Dm) [illegible]

PARIS (FFr) [illegible]

NEW YORK ($) [illegible]

TOKYO (Yen) [illegible]

LONDON (Pence)

Rises		
Irish Dist.	358	+ 8
U.K. Paper	164	+ 5
Falls		
ASDA Grp.	146	– 5
Barclays	381	– 8
Barker (Ch.)	155	– 8
Ellis Evergrd	170	– 14
G.T. Mgmt.	128	– 12
Ladbroke	426	– 9
Lex Service	389½	– 11½
Next	201	– 8
Plessey	151½	– 6
Racal Elect.	283½	– 10½
RHM	387	– 21
Sun Alliance	946	– 11
Tarmac	317	– 8
WPP Grp	577	– 21
Western Motor	544	– 16
Whitbread A	272	– 14

Bank regulator with sober reserve

David Owen meets Canada's superintendent of financial institutions

Michael Mackenzie: a keen skier and tennis player

THE TOUGH LINE taken by the Canadian Government in drafting a domestic version of the new international capital standards may have dismayed many Canadian bankers. But it should not have surprised them.

It is perfectly in keeping with the sober, down-to-earth reputation enjoyed by Mr Michael Mackenzie, Canada's superintendent of financial institutions.

It is a reputation nurtured over a 30-year stint as chartered accountant with Clarkson Gordon, the country's second-largest accounting firm. And it is one which Mr Mackenzie has done nothing to dispel since assuming his present position in February 1987.

Under his tenure, the leading Canadian banks have added substantially to their reserves against possible losses on loans to troubled Third World countries, and changed procedures for writing off loan losses.

The restructuring of the domestic financial services industry has also proceeded apace, with banks assuming control of most of the largest Canadian investment dealers. Mr Mackenzie, a keen skier and tennis-player, has so far failed to acquire a taste for deregulation, however.

"The longer I look at it, the less I am convinced that society as a whole gains by the deregulation of financial services," he says. "I think that is an unsold proposition."

The two specific complaints usually made by bankers with regard to the new capital standards are that neither Third World loan loss provisions nor unrealised gains on property or securities portfolios will be treated as second-tier capital. Canadian banks, they argue, will therefore be placed at a disadvantage to overseas competitors whose jurisdictions have adopted a looser definition.

Mr Mackenzie explains these decisions as follows.

Third World loan loss reserves, he says, are "clearly allocated." In his view, the only type of loss reserve to constitute a *bona fide* part of capital is "a true contingency reserve to look after the inherent risk of loss in a good portfolio."

He objects to the inclusion of unrealised property and securities gains, meanwhile, on the grounds that they are likely to evaporate when most needed. "If you look at capital as being there to sustain hits when things go bad," he says, "my guess is that at the same time as you need the capital, the unrealised gains will have gone away."

In addition, he points out (reasonably enough) that banks should not be permitted effectively to cherry pick the assets which they revalue. "If you are going to allow revaluing, you have to write down Third World loans to market value," he says.

Mr Mackenzie did make one concession to bankers by allowing them initially to include goodwill (mainly accruing from recent investment dealer acquisitions) in their calculation of core capital. "*We have some distance to go in resolving with the industry what our real position on this subject is*," he says in explanation.

In conclusion, Mr Mackenzie asserts that any observer or analyst who fails to take account of differing national interpretations of the BIS guidelines is "comparing apples and oranges." He also cautions against any assumption that standardising international capital requirements somehow gives room for complacency. "If you have a good portfolio, 8 per cent is probably too much capital," he says. "But if things go badly, it is nowhere near enough."

Canadian banks are generally expected to have little difficulty in raising the additional sums which they will need to comply with the new capital adequacy standards by the 1992 deadline.

Recent months have seen a string of subordinated debt issues designed to add to banks' tier-two capital. This is currently estimated by analysts at on average approximately 1.8 per cent of assets, according to the new Canadian definition.

Fed takes offence at Italian protests

By Anthony Harris in Washington

THE US Federal Reserve Board is puzzled and a little offended by Italian protests over their treatment of the bid by Banca Commerciale d'Italia for Irving Bank of New York, and especially by the charge that it shows the Fed to be protectionist. In the Fed view this is a one-off case, a bid by a foreign bank owned by a state-owned holding company.

The only precedent was the much earlier bid by BCI itself for the Long Island Trust Company, a small investment concern. That bid was allowed, but BCI was warned clearly that its status as a subsidiary of an industrial holding company raised difficult issues.

"When it came to this second bid, we leant over backwards to cater for Italian susceptibilities, and we thought we had a deal which they would accept" says Mr Michael Bradfield, General Counsel to the Board, who handled the legal issues.

"They have not explained their withdrawal, and we can only assume it is something to do with the relations between BCI and its holding company, IRI (Istituto per la Ricostruzione Industriale). They don't seem willing to admit that IRI, which has a 60 per cent holding, has legal control."

Banking acquisitions in the US are constrained by two laws, the Glass-Steagall Act and the Bank Holding Act, as well as by the new international rules on capital adequacy.

The Fed was not seeking to treat IRI as a US bank holding company would be treated, but simply wanted IRI to ask for specific waivers, so that its bid would not create a precedent.

Thus, IRI was not required to make the full financial disclosures usually demanded. It was not required to divest industrial holdings, nor to meet the capital requirements demanded of bank holding companies.

The only demands were that Irving's own capital be maintained at the average level for other US banks of its size and that there be no cross-marketing of financial products by Irving and BCI's own US branches.

Texaco makes pledge on sale of Canadian unit

By Our Financial Staff

TEXACO, the US oil group which is planning to sell its 78 per cent interest in Texaco Canada, says it will only consider offers which also satisfy the public shareholders who own the remaining 22 per cent.

Among the assets to be spun off are interests in certain producing and exploration properties and $65m in cash. The interests include positions in several established Canadian units with estimated proven reserves of 4.3m barrels of oil and liquids and 22.5 cu ft of gas, a Brazilian service contract covering some 21m acres of exploratory lands, and a stake in a Mauritanian producing-sharing contract covering some 1.8m acres of offshore exploration.

Daily output from the producing properties is expected to average 8m cu ft of gas and 950 barrels of oil and liquids.

Shares in the new company will be distributed to current holders of Texaco Canada stock and will be publicly traded.

The company said: "Texaco has committed, subject to certain conditions, that it will not accept an offer that is not made available to the minority shareholders, at least on an equivalent consideration basis."

It says the commitment will end only if a bidder fails to receive regulatory approval from Canada or if Texaco fails to sell the company by September 1 1989.

The company issued the statement after it reached an agreement with the Canadian subsidiary on how the sale should be structured.

"The structure for the sale of our interest is intended to provide equitable treatment of Texaco Canada's minority shareholders which we fully respect," said Mr James Kinnear, president and chief executive.

"We believe that the co-operation evidenced by this accord will facilitate and expedite a successful sale that benefits all parties involved."

The sale is part of Texaco's plan to sell $5bn of assets in a move to make the company more profitable.

Venezuela seeks refineries

By Joseph Mann in Caracas

PETROLEOS DE Venezuela (PDVSA), the state-owned oil company, is reported to be holding talks to acquire a major share of refineries owned by Texaco Canada and Valero Energy of the US.

PDVSA will not comment publicly on specific negotiations of this nature, but such an acquisition would be in line with Venezuela's programme of buying important shares of refineries in other countries to obtain firm overseas markets for its petroleum.

Over the past few years, PDVSA has invested more than US$400m in oil refining and distribution networks in West Germany (Veba Oel), Sweden (Nynas Petroleum) and the US (Citgo Petroleum and Champlin Refining).

PDVSA can now place at least 450,000 barrels per day of crude oil with refineries outside Venezuela in which it is a partner. The company's goal is to buy into one or two more refineries so that it can guarantee placement of around 700,000 barrels a day, or about half its exports.

Sources outside PDVSA say that the company has been studying investments in a variety of foreign oil companies, including Texaco, BP Rotterdam, Tenneco, Exxon and others.

According to Reporte, the Caracas business newspaper, PDVSA is interested in a 100,000 b/d refinery in Corpus Christi, Texas, owned by Valero.

PDVSA officials are eager to complete talks on new investments as soon as possible since they could face a formidable political barrier to new acquisitions under the next administration, which will begin a five-year term in February, 1989.

CIBC buoyed by jump in non-interest income

By Our Toronto Correspondent

CANADIAN Imperial Bank of Commerce, the country's second-largest chartered bank, yesterday reported net income of C$139.1m (US$112.2m) or 77 cents a share for its third quarter ended July.

This compares with a loss of C$334m or C$2.56 a share in the corresponding year-earlier period. The 1987 figure included a hefty C$450m provision relating to an increase in the bank's reserves on loans to troubled Third World countries.

In the first nine months, net income totalled C$417m or C$2.37 a share, versus a loss – including the special provision – of C$127.1m or C$1.22 a share a year ago.

Results in the latest period were buoyed by a near 20 per cent increase in non-interest income. Particularly significant were improvements in loan fees and income from foreign exchange transactions.

The bank's assets as at July 31 totalled C$93.8 bn, compared with C$87.2 bn a year earlier. Steady growth in mortgages and consumer loans was partially offset by declines in inter-bank deposits and securities.

Embraer calls on foreign suppliers to invest $50m

By Our Financial Staff

EMBRAER, Brazil's state-owned aircraft manufacturer, wants foreign suppliers of components to invest in the company, as part of a $50m foreign financing currently being negotiated.

"We want our suppliers to invest in us," said Mr Manoel de Oliveira, assistant to Embraer's finance director. Embraer said last June it wanted to convert $50m of foreign debt into capital, urgently needed to reduce financing costs and develop new aircraft.

The company also expects to receive $183m from Brazil's National Development Bank, to bring its total financing to $183m. Embraer will use part of the money to develop the CBA-123, a 19-passenger commuter aircraft which would fill a gap in the light aircraft market, said the company's managing director, Mr Ozilio Carlos da Silva.

This is the first time the company has said it wants foreign suppliers to take part in the debt-for-equity swap. Many of Embraer's components, in particular such high-technology items as avionics, are from foreign suppliers, particularly from the US.

Amoco and Dome consummate merger

By Our Toronto Correspondent

AMOCO CANADA'S protracted 16-month courtship of Dome Petroleum, the debt-laden Canadian energy company, was expected to be ritually consummated yesterday afternoon at a lavish signing ceremony in a central Calgary hotel.

The transaction will create the largest energy producer in Canada. In sum, the new company will produce approximately 125,000 barrels of oil, 750m cu ft of gas and 2,000 tonnes of sulphur daily.

The completion of the C$5.5bn (US$4.4bn) takeover, the largest in Canadian corporate history, has been repeatedly delayed as – slowly but surely – secured and unsecured creditors, a large majority of shareholders and the Canadian Government have been persuaded to back the Amoco offer.

At the time of writing, only the persistent Mr Abdulrehman Premji, a Dome shareholder who claims to represent foreign investors willing to pay C$6.5bn for Dome, stood in the way of the deal's formal closing.

The Supreme Court of Canada was scheduled to rule yesterday on whether to hear Mr Premji's appeal that Dome shareholders were unfairly treated in the merger with Amoco. Earlier this week, an Alberta appeals court dismissed Mr Premji's protest as "singularly devoid of merit."

The takeover will complete the demise of a 38-year-old company which was undone by too many debt-financed acquisitions and the end of Opec hegemony in the oil market. Dome's losses since 1983 have totalled in excess of C$4bn.

INTERNATIONAL COMPANIES AND FINANCE

ABB lights European merger fuse

Nick Garnett interviews the head of the Swedish-Swiss group

MR Percy Barnevik says: "This is the pain in our industry. It is fragmented, high cost, protectionist and with lots of overcapacity. It badly needs a shake up in turbines, in locomotives, in fact in the whole of heavy engineering."

Mr Barnevik, chief executive of Asea Brown Boveri, is in a good position to talk about all this. The formation last year of ABB has had such an unsettling effect on electrical engineering that almost everyone in the industry is fleeing for cover, trying to set up mergers, acquisitions and joint ventures.

ABB, a merger of Sweden's Asea and Brown Boveri of Switzerland which created a business with $18bn sales and 1,100 factories, is at the centre of many of these.

First in the supply of power generation equipment and now in locomotive and rail equipment building, the Europeans are being shaken up.

"We ignited cross-border euphoria," says Mr Barnevik. "ABB has raised a lot of dust. There will be more global alliances and not just in our industry."

The impending changes in the European market after 1992 are also having an impact. Since ABB's formation, however, the speed at which the ownership structure of the power station supply industry is being reshaped has accelerated dramatically.

It is only emerging now how extensive the changes are likely to be. What is happening is the creation of three or four powerful European groupings linked through joint ventures with the two main US power equipment makers, Westinghouse and General Electric.

ABB has already announced the formation of two giant joint ventures with Westinghouse for the North American market in turbines and in power transmission.

The Swedish-Swiss company has also recently purchased a substantial stake in Franco Tosi, the Italian power engineering group, whose products include boilers, transformers and switchgear, and total ownership of Marelli, a Franco Tosi subsidiary making generators.

It has also bought Sadelmi, an Italian electrical group, Adda Costruzioni, an Italian high voltage switchgear maker, and a Spanish transformer group.

More spectacularly, it has emerged that ABB is in detailed negotiations with Ansaldo, the state-owned Italian electrical engineering company. ABB believes Italy will be the fastest growing European market for its range of products through the 1990s.

While all this has been going on, Siemens of West Germany, one of the long-term players in European power engineering, has been in discussions with GE. If these talks come off, this could provide a second large power engineering grouping.


Percy Barnevik: ignited cross-border euphoria

Alsthom, the big French power engineering group, is also determined to stay in the business. There have been no signs of any major deals yet involving Alsthom, though it recently purchased ACEC, the Belgian power equipment maker.

At the same time, GEC, a British turbine and switchgear maker, has been in joint venture discussions with some other European suppliers. Observers have suggested a possible link-up with Framatome in France.

Mr Barnevik says the companies that will suffer as a result of all this reshuffling will be medium-sized, full range nationally-minded companies. "There will be a continuing shake out. Demands of R and D and the need to have access to global markets is going to push them into bigger groups."

To put that in perspective, ABB, which has a $20bn balance sheet and 180,000 employees in 45 business sectors, employs 11,000 in R and D alone with a $1.2bn budget.

Mr Barnevik says something similar is likely to happen in Europe's rail equipment industry. There are around 16 mainstream loco builders in Europe compared with two in the US and three in Japan.

ABB already makes locomotives in six European countries and claims to be the biggest European train maker ahead of Alsthom.

It has just purchased Ascan Scania, a small Danish train maker and is bidding in partnership with British groups for Brel, the British locomotive and rail equipment maker. ABB also announced yesterday that it had acquired British Wheelset, a rail wheel maker in the UK.

But some of the biggest moves could soon be in Italy. ABB's discussions with Ansaldo covers most business segments, including rail equipment.

This is all part of the same theme. "Companies need to get stronger in Europe to cope with Japanese and US companies," says Mr Barnevik.

Farmers in Parmalat talks

By John Wyles in Milan

THE MYSTERY surrounding the future of Mr Calisto Tanzi's Parmalat food empire deepened yesterday with confirmation that Italian agricultural interests are negotiating a possible investment in the company.

Mr Stefano Wallner, president of Confagricoltura, which represents Italian farmers, believed Parmalat's negotiations with Kraft of the US on the sale of some of its non-milk products subsidiaries had been halted.

In the meantime, discussions were under way on a possible merger between some or all of Parmalat with the food processing activities of Federconsorzi, the national federation of Italy's agricultural co-operatives.

Mr Wallner, whose organisation is the minor shareholder in Federconsorzi, said: "We are now talking about which parts of Parmalat might match up with Federconsorzi."

He doubted, however, whether Federconsorzi had the resources to buy a significant stake in Parmalat – 40 per cent has been mentioned as an objective – and a third party was needed to complete the arrangement. "It would be a good idea if this was Kraft," he added.

The quest for an "Italian solution" for Parmalat has some political backing and is being spearheaded by Mr Arcangelo Lobianco, the Christian Democrat president of Coldiretti, which represents Italian small farmers and is the dominant shareholder in Federconsorzi.

The co-operatives' federation had annual sales last year of L3,046bn ($2.19bn) of which L126bn was specifically food products. Animal feeds, fertilisers and agricultural machinery are much more financially important parts of its business. Net profits were little more than L3bn.

Parmalat's need for a capital injection or a sale of assets arises from its heavy borrowings, which total around L500bn. The deal most recently discussed with Kraft is believed to have been a L300m sales of baking, fruit juices and tomato sauce manufacturing companies.

Astra lifts profits 13% halfway

By Robert Taylor in Stockholm

ASTRA, the Swedish pharmaceuticals company, recorded a 13 per cent increase in its profits, after financial items, for the first six months of this year. They rose to SKr759m ($117.6m) compared with SKr674m for the same period of 1987.

Group sales went up by 14 per cent to SKr3bn against SKr2.64bn in the first six months of last year. The company said it expected the group's total sales in 1988 would increase by around 12 per cent.

The area of Astra's products that recorded the biggest growth was once again in respiratory disease agents, with sales increasing by 23 per cent to SKr745m, while cardiovascular agent sales grew by 6 per cent to SKr828m. There was a substantial improvement in the company's performance in antibiotic sales, which rose by 20 per cent to SKr233m.

Sales growth continues to be strong abroad, where 82 per cent of Astra's products went.

Ferfin shares open below expectation

By John Wyles in Rome

MR RAUL GARDINI yesterday launched the stock market listing of his Ferruzzi Finanziaria holding company with a declaration that he wanted to make Italy's second largest private sector group a truly global operation.

Affirming that he was seeking a significant share of world markets in chemicals, agribusiness and financial services, the Ferruzzi president was in a triumphant mood after carrying forward a controversial and complicated restructuring of his Ferruzzi and Montedison interests.

The initial announcement of the deal sent sent the Milan stock market into a sharp reverse at the end of January. Yesterday, initial interest in Ferruzzi Finanziaria (Ferfin) was modest enough to price the shares slightly below expectations at L2,893 (£2).

Ferfin's public quotation follows its absorption of the Montedison 64 per cent-owned subsidiary, Iniziativa META, which consequently disappeared after a listing lasting 48 years. The exchange of 15 Ferfin shares for 4 META implied an opening value of L2,920.

Mr Giuseppe Garofano, managing director of Ferfin, said the asset sales programme designed to cut the group's L11,000bn of borrowings had now been largely completed.

With a net debt of around L3,300bn, Ferfin would have a debt to net worth ratio of around 0.6. Montedison's debts, which were L7,800bn at the end of last year, would fall to around L2,000bn by the end of this. Mr Garofano said the group's aggregate net worth would be L11,000bn and its total debt no more than L5,300bn.

The L3,800bn of debt being transferred to the 40 per cent Montedison-owned chemicals joint venture, Enimont, will not be consolidated into the company's balance sheet.

Esab reports 36% rise and good outlook

By Our Stockholm Correspondent

ESAB of Sweden, the world's leading manufacturer of welding equipment, reported a 36 per cent rise in profits (after financial items) to SKr152m ($23.5m) in the first six months from SKr112m a year ago.

The group said it expected the trend to continue, giving rise to full-year profits which are "significantly better" than last year's figure of SKr205m.

Cost-cutting and restructuring measures played a large part in streamlining the group and increasing profits, according to Mr Kjell Johansson, group finance director.

He added that the acquisition earlier this year of Siderotermica, an Italian electrode company, had also helped boost profits.

Group sales increased by 21 per cent to SKr2.318bn from SKr1.92bn, while order intake rose by 5 per cent to SKr2.177bn in the first six months.

Mr Johansson said the market situation for welding products had become more stable in the majority of industrialised countries, and that there were signs of recovery in certain weak markets such as Spain.

Commerzbank sets up index fund

By Haig Simonian in Frankfurt

COMMERZBANK of West Germany is to launch the country's first equity index fund. It will be set up in Luxembourg because such index funds are forbidden in Germany.

The CB German Index Fund is designed for foreign institutions wanting to invest in German equities on a broad but cost-effective basis. It will reflect the existing Commerzbank equity index of 60 leading shares.

According to the bank, the fund will represent some 55 per cent of the market capitalisation.

● According to analysts, Commerzbank's own equity shows the closest correlation to the new DAX real-time index launched at the start of July on the Frankfurt stock exchange.

The Commerzbank shares, one of the index's 30 blue chip constituents, parallel the index most closely. By contrast, the correlation is lowest for shares in RWE, the electric utility.

B&O falls into the red and omits payout

By Hilary Barnes in Copenhagen

BANG & OLUFSEN, the Danish audio equipment and television manufacturer, has fallen into the red for last year and will not pay a dividend.

The company has made a pre-tax loss of DKr16m ($2.2m) for the year ended May 1988 compared with a profit of DKr61m in the previous year, while the net result went from a surplus of DKr40m to a loss of DKr10m. Sales increased by 3 per cent to DKr1.95bn.

The group expects to return to profit in the current year following the launch of its video system in the US. It also announced the establishment of a subsidiary to exploit the company's design and manufacturing know-how through co-operation with other companies.

Sixfold rise for Western Mining

By Bruce Jacques in Sydney

WESTERN MINING, Australia's premier metals group, pushed net profits nearly six times higher in the year to June – to A$242.2m (US$194.6m) from A$41.4m, on the back of the world commodities boom.

Higher nickel and gold prices, an exchange gain and net interest receipts on the large cash balances held by the company for much of the year were the main contributors to the resurgence, and allowed Western Mining to apply some brutal accounting treatment to special charges.

The main components of these are a A$61.3m write-off of the assets of Canadian-based Seabright Resources, acquired during the year, and a A$138.9m goodwill write-off on acquisition of a controlling stake in Hill 50 Gold Mines.

Abnormal and extraordinary losses thus totalled A$153.3m compared with profits of A$149.9m previously, producing earnings available to shareholders of A$205.7m compared with A$233.4m. But the annual dividend is boosted to 23 cents a share from 10 cents, costing the company A$193.6m against A$56.2m.

Directors said gold sales jumped to 457,264 oz from 358,000 oz while the price received was just under 2 per cent higher at A$629 per oz. They indicated that the real benefit had come in nickel, where US dollar prices received jumped by 90 per cent, although tonnage sales eased by 2 per cent.

Exchange gains added A$41.6m to the result, compared with a A$7.1m loss in the previous year and the company logged net interest receipts of A$30.1m against payments last year of A$16.5m.

Under the company's preferred equity accounting approach, earnings rose to A$359m from A$83.5m following a boost to A$116.8m from A$42.1m in the equity contribution, mainly reflecting a higher result from Alcoa of Australia, the aluminium group.

Drexel launches US fund in Europe

By Our Euromarkets Staff

DREXEL BURNHAM Lambert, pioneer of the "junk bond" market, yesterday launched a fund which will allow European investors for the first time to invest directly in high-yield US bonds.

The fund, Prospect International High Income Portfolio, will be managed by the Massachusetts-based Prospect Management Investment. Since the parent company is based in the Netherlands Antilles, US withholding tax will not be deducted from interest and dividend payments.

Drexel, which has recently come under fire in the US for allowing its employees to buy up portions of junk bonds it underwrites, said it will have no equity interest in the new fund.

However, a Drexel official, noting that the firm has ceased purchases of its own underwritten offerings, said that diversification requirements make it likely that the bond fund will purchase securities that Drexel has underwritten.

Capital for the fund consists of $105m of equity and $70m in two separate tranches of debt securities, intended to carry the top AAA-rating from the main US rating agencies.

Both tranches of debt carry unconditional guarantees of interest and principal from Financial Security Assurance, a US-based provider of financial guarantee insurance. Its own securities carry a AAA credit weighting.

The market value of the bonds will be assessed biweekly, so that if the value of the portfolio falls below the minimum overcollateralisation level or no longer meets AAA-rating criteria, assets must be sold and replaced with appropriate debt securities.

Over the past month, Drexel has sold 10.5m shares in the fund, raising the $105m, and yesterday launched the issue of debt. The shares will be listed in Amsterdam.

The $40m fixed-rate tranche of debt has a 10-year maturity but has a put option in 1991. Interest until the put is 10.08 per cent, priced to yield 97 basis points over Treasuries. The $30m tranche, due 1998, pays interest at 30 basis points over one-month London interbank offered rates and has a put option at par after five years.

There is an additional option for Drexel to underwrite a further 7.9m shares and issue $52.5m more in debt securities.

Last month Drexel emerged with the first European high-yield bond fund, First Britannia. Denominated in sterling, this fund is intended for investment in UK and European high-yield bonds.

Trading muted as dealers wait for key US data

By Our Euromarkets Staff

TRADING IN dollar Eurobonds was muted yesterday as investors awaited the next barrage of key economic data out of the US.

Today, the Labor Department releases employment data for August, which may provide enough evidence of a further tightening in labour markets to provoke the Federal Reserve into crimping the availability of credit.

The dollar's ascent against the yen was halted as Japanese officials attempted to assuage market fears that they would sit by and allow their currency to slide. However, it remained unclear how far the yen must slide before Japanese interest rates are raised to protect the currency.

Meanwhile, dollar stability was sufficient to allow the launch of two new issues.

Tokyo Electric Power issued a five-year Eurobond with a 9⅝ per cent coupon. The deal, lead managed by County NatWest Securities, is priced at 101⅝ to yield 57 basis points over Treasuries. Proceeds were swapped into fixed-rate yen, with the swap window still effectively closed for borrowers wishing to swap into floating rate dollars.

The issue closed at a discount of 1⅝, at its full fees, although earlier in the day it was quoted at less 1⅛ per cent. County NatWest said it placed about half the deal in Japan, some of it into the sort of trading accounts that can be expected to provide liquidity over the life of the bond.

Still, enthusiasm for the deal was limited with traders pointing out that the securities are unrated. The borrower last came to the Euromarkets in 1985.

Xerox Credit issued a $200m two-year issue with a 9⅝ per cent coupon and priced at 101.10 to yield 50 basis points over Treasuries. Lead manager Goldman Sachs International said the bonds closed at less 1⅛ per cent, at their fees, but dealers said it was seen on a broker's screen at less 1¼ per cent.

The deal met a lukewarm response from traders who noted that existing issues for the borrower are offering 65 basis points over Treasuries. Also, with a A-2/A-plus credit rating, 50 basis points is deemed to be somewhat tight. Some griped about the ⅛ per cent *praecipuum*, a fee which is skimmed from co-managers' fees and accrues to the lead manager. A 10 basis point *praecipuum* is considered more appropriate for a two-year issue.

Salomon Brothers lead managed a £200m mortgage-backed floating rate note for TMC No 10. The securities, which have an average life of 7.2 years, pay interest at 30 basis points over three-month London interbank offered rates (Libor), down from a spread of 32.5 basis points on the borrowers most recent issues.

The World Bank issued a L100bn five-year Eurobond with a coupon of 11 per cent and priced at 101⅞. Joint-lead managers were Banca Commerciale Italiana and Banque Paribas Capital Markets, which were quoting the deal at less its 1⅞ per cent fees. The proceeds were said to have been swapped into floating rate dollars.

In West Germany, the Bundesbank allocated DM26.5bn through a repurchase agreement, more than replacing a DM24.2 billion repurchase agreement which expired yesterday. The additional liquidity was well received by the market which sent prices up about 15 basis points on average.

In the foreign D-Mark bond market, prices were steady to a touch firmer, with investor interest noted returning to 30-year issues.

National Bank of Hungary issued a DM200m seven-year bond, intended to become fungible with an existing issue after the value date later this month. The bonds carry a 6¾ per cent coupon and are priced at 97. Lead manager DG Bank quoted the bonds just inside their 2⅛ per cent fees although other dealers quoted the issue slightly outside fees at less 2⅝ per cent. At the lower price level, the issue yields 7¼ per cent, making it more attractive than the first tranche which yields around seven per cent.

Electric Power Development Co issued a seven-year 6 per cent DM120m bond which carries a guarantee of the Japanese government. The bonds are priced at 101⅛ and were lead-managed by Westdeutsche Landesbank.

Ireland privately placed a SFr100m six-year issue carrying a 4⅞ per cent coupon and priced at par. Lead manager Banque Paribas (Suisse) said the issue is trading at less 1⅛ offered, with other dealers saying it was bid at less 1⅞ to less 1⅝ per cent.

In Switzerland, the rate on three- to eight-year cash bonds was increased by ⅛ per cent, but the move was widely anticipated and had no impact on prices.

● The French Government yesterday sold FFr5.1bn of bonds at its first monthly auction since the recent round of European interest rate rises, which the Bank of France was forced to join, writes George Graham in Paris.

Most of the auction was devoted to the floating-rate OAT TRB 1993, indexed on the average yield of the weekly Treasury bill auction. The Government accepted FFr2.21bn of the FFr8.5bn of demands presented at an average margin of 9 basis points above the bill auction, considerably tighter than at the last auction of this bond two months ago and tighter also than recent margins in the secondary market.

INTERNATIONAL BONDS

Chase Corp in the red after writedown

By Our Financial Staff

CHASE CORPORATION, the New Zealand investment company, incurred an attributable loss in its year to June after taking a NZ$109.5m (US$67.3m) writedown on its equity and property holdings.

It forecast growth in all its operations for the current year folllowing a post-crash restructure of its portfolio. Chase Corporation plans to reopen its London office in order to investigate property opportunities. In December it accepted a £198.4m (US$334.2m) Trafalgar House bid for Chase Property Holdings, its UK arm.

The group is paying a 10 cent total dividend, matching the payout for the previous 15 months.

Despite the shorter period covered by the latest accounts, revenues doubled to NZ$2.99bn from NZ$1.41bn. Pre-tax profits were just *10 per cent lower at* NZ$124.1m, but after losses from associates and the extraordinary charge, the bottom line emerged NZ$31.7m in the red, compared with NZ$133.8m net profits.

Chase Corporation said it had written down short-term equity investments to market value.

Amcor keeps up strong growth

By Our Sydney Correspondent

AMCOR, the Australian paper and packaging group, showed a 26.3 per cent rise in equity-accounted net profits to A$137.2m (US$110.2m) in the year to June from A$108.6m – the fourth consecutive year in which earnings have risen by more than a fifth.

Shareholders are being rewarded with a dividend rise to 23.5 cents a share from 21 cents and a one-for-10 bonus issue, with the directors confident that the dividend will be at least maintained on the increased capital.

They said the profits increase was spread across the group's operations, with associates Mayne Nickless and the local Kimberly-Clark unit also contributing strongly.

The Australian Paper Manufacturers division lifted profits by 17 per cent pre-tax. "Export pulp sales value increased by over 40 per cent with new markets being opened in South Korea, Taiwan, Indonesia and India," Amcor said. "The impetus of growth in this division will be enhanced by additional *projects coming on stream during 1988-89.*"

Group sales rose 11.7 per cent to A$2.9bn.

● Elders Resources NZFP (ERN) is to sell its 28 Australian Benchmark timber and hardware retail outlets to Burns Philp, the Australian trading company, and will put into a joint venture with Burns its 47 Benchmark outlets in New Zealand, Reuter reports from Wellington.

The transaction will release more than NZ$100m (US$61.5m) *to ERN, which is "repositioning" non-core assets.*

Canon first-half profits sharply ahead

By Ian Rodger in Tokyo

FIRST-HALF consolidated profits of Canon, the Japanese camera and office equipment maker, grew even faster than the parent company results published two weeks ago.

Consolidated net income at Y15.9bn ($116.5m) was 3.6 times higher than in the first six months of 1987. Parent company net income was ahead 2.7 times to Y9.1bn.

Early in August, Canon resorted to the unusual tactic *of publishing a forecast of the* big improvement in its profits, so as to forestall any possible insider trading incidents in advance of the publication of the actual results.

Consolidated operating income was up 163.2 per cent to Y38.7bn on sales of Y521.6n, up only 14 per cent. Canon attributed the dramatic improvement mainly to the success of its cost cutting efforts and to the strong business machines sales.

Canon said business machine sales rose 18.9 per cent to Y411.5bn, with copiers, laser beam printers and facsimile transceivers being the best performers. Camera sales were down 7.1 per cent to Y76.1bn.

Setback for Westfield

WESTFIELD HOLDINGS, Australia's largest shopping centre operator, suffered from a fall-off in contributions from associate companies for the year to June, leaving equity-accounted net profits 31.8 per cent lower at A$22.1m (US$17.8m), writes Our Financial Staff.

However, it is lifting the dividend to 7.5 cents a share from 5.63 cents. Pre-tax profits rose 3.4 per cent to A$18.7m but associates brought in only A$3.9m, down from A$16.7m.

UK firm in Tokyo move

INTERNATIONAL CITY Holdings, the UK financial services firm specialising in money and securities broking, said yesterday it was negotiating for a stake in a Tokyo foreign exchange broker, writes Stephen Fidler.

It is in talks to take a minority holding in the foreign exchange broking subsidiary of Yamane Tanshi, a firm specialising in Japanese short-term market operations. Details are not yet finalised.

FAI Insurances lifts net earnings 51%

By Our Sydney Correspondent

FAI INSURANCES, Australia's biggest general insurer and one of the country's most aggressive equity investors, yesterday declared a 50.8 per cent rise in net earnings to A$171.1m (US$137.5m) for its year to June from A$113.4m in the previous year, emerging unscathed from the October stock markets crash.

In a report which gave a minimum of information, Mr Larry Adler, the chairman, indicated that FAI continued to be one of the few general insurers to earn an underwriting profit, which rose modestly to A$6.9m from A$5.7m.

But as usual, investment earnings were the group's mainstay, ahead 111 per cent to A$306.5m. The result suggests that most of the investment profits were earned in the first half, when FAI disclosed a 75 per cent increase in net profits to A$123m.

That reflected the realisation of many of FAI's shareholding positions in the few weeks before the crash. Mr Adler managed to extricate the group from positions in Hill Samuel of the UK and Pioneer Concrete and Ampol at home, netting a total of A$325m.

The main second-half profit spinners would have been FAI's foray into the complex Cumberland Credit takeover battle and exercise of a put option over the troubled Renouf group of New Zealand.

FAI has raised its annual dividend to 8 cents a share from 6 cents, which Mr Adler said would be fully franked under Australian tax law and covered 9.67 times by earnings. The directors, he said, "view the continuing growth of the group with great confidence."

Mr Adler said premium income net of reinsurance rose to A$466.5m from A$446.7m and provision for outstanding claims was up 36 per cent to A$561.8m. Tax took A$141.4m, against just A$34.9m.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey National 7½ 92	200	93½	93⅝	0	+0½	9.82
All Nippon Air 9⅛ 97	100	†95⅜	93⅞	0	+1	10.51
Amer. Brands 8⅞ 92	150	†96⅛	96⅝	0	+1	10.03
A/S Eksportfinans 7⅞ 93	100	†92⅛	92⅝	0	+2	9.51
A/S Eksportfinans 7¼ 92	150	†92⅜	92⅞	0	+0½	9.88
Barc. Bk. Fin. 10¼ 89	200	†99½	100	0	+0⅜	10.37
B.F.C.E. 7 92	150	92⅝	93⅛	+0⅛	+0⅜	9.41
British Telecom 7⅝ 96	250	88½	89⅛	0	+0⅜	9.69
Cal.Natl.Telecom 8½ 93	160	†96⅝	97⅛	0	+1	9.36
Canada 9 96	1000	†97¾	98¼	+0⅛	+0⅝	9.36
Canadian Pac 10¼ 93	100	†102	103	0	−0¼	10.04
C.C.C.E 7¼ 91	113	†92⅛	92⅝	0	+0⅛	10.05
C.C.C.E 9¼ 95	300	97¾	98⅛	+0⅛	+0⅝	9.66
C.N.C.A 7¾ 91	150	†93⅞	94⅜	+0⅛	+0⅝	9.38
Credit Lyonnais 9 91	200	†99¼	99¾	0	0	9.19
Credit National 8¼ 93	200	95¼	95½	0	+0¼	9.54
Credit National 7¾ 92	100	93⅝	94⅛	+0⅛	+0½	9.41
Credit National 7¼ 91	150	†93⅞	94⅜	0	+0⅜	9.38
Denmark 7⅛ 92	500	†92⅝	93⅛	0	−0⅛	9.58
E.E.C. 7 91	100	93⅝	94⅛	+0⅛	+0½	9.24
E.E.C. 7¼ 93	250	92⅛	92⅝	0	+0⅜	9.38
E.E.C. 8 90	350	†97¾	98¼	0	+0⅜	9.18
E.I.B. 7⅛ 93	100	92½	93	0	+0½	9.41
E.I.B. 9⅜ 97	150	98⅝	98¾	0	+0⅝	9.63
Elec.De France 9 98	200	94¾	95¼	0	+0¾	9.81
Finland 7¾ 97	200	88⅝	89⅛	0	+0¾	9.87
Finland 7½ 93	200	†91¾	92¼	0	−0⅛	9.57
Finn.Exp.Cd. 8½ 92	200	97⅝	98	0	+0½	9.29
Ford Motor Credit 8 91	250	96¾	97⅛	0	+0¼	9.33
Gen Elec Credit 10¼ 00	200	†100½	101	+0⅛	+0½	10.12
G.M.A.C. 8 89	250	99	99½	+0⅛	+0¼	0.09
Halifax BS 9½ 93	200	†98⅝	99⅛	0	+0½	9.79
Hoesch 8¼ 97	100	†92⅛	92⅝	0	+1⅛	9.58
Italy 9 90	1000	99⅞	100⅜	+0⅛	−0⅞	8.91
L.T.C.B of Japan 8 91	100	†96¼	96¾	0	+1⅜	9.41
L.T.C.B. of Japan 8 97	200	88¼	88¾	−0⅛	+0⅝	10.08
Mercds-Benz Cd. 8½ 95	100	†94⅝	95⅛	0	+2	9.58
Metropolis Tokyo 9½ 93	200	100¼	100½	0	+0⅛	9.40
Morgan Guaranty Tst. 7 90	150	97	97⅜	0	+0⅜	9.04
Norway 8¼ 93	500	97½	98	0	+0⅜	9.36
Pepsico Inc 7¾ 93	200	†92¾	92⅞	+0⅛	+0⅝	9.37
Portugal 8¼ 91	300	†97⅛	97⅝	0	+0⅜	9.41
Prudential Crp. 8¾ 94	125	96⅝	97	0	+0⅝	9.52
Qantas Airways 10⅛ 95	140	102½	103	0	+0¼	9.79
Saskatchewan 10¼ 92	100	103⅜	103⅞	+0⅝	+0⅜	9.44
State Bk S Aust 9¼ 93	100	98⅝	98⅞	+0⅛	+0½	9.61
Swed Exp Cred 7¼ 91	100	*94⅛	94⅝	0	0	9.33
Swed Exp Cred 10 92	100	†100⅞	101⅛	0	+1	9.60
Sweden 7 91	250	93⅞	94⅜	+0⅛	+0⅜	9.25
Sweden 7 92	250	†92	92½	0	+0⅝	9.72
Sweden 8¼ 96	200	94⅝	95⅛	0	+0⅜	9.69
Sweden 8½ 92	200	†97⅝	98⅛	+0⅛	+0⅝	9.16
Victorian Rep 11⅝ 92	150	105⅝	106⅛	0	+0⅛	9.61
World Bank 7 92	300	*93¼	93¾	0	0	9.38
World Bank 9 97	300	95⅞	96⅜	0	+0⅞	9.66
Yasuda Trust Fin 8½ 93	100	95⅛	95⅝	0	+0⅛	9.73

Average price change... On day +0 on week +0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	100	100⅜	−0⅛	+0¼	5.92
Avis Fin.SVS 5⅞ 92	100	99¾	100¼	0	−0½	5.86
Bank of Tokyo 5¾ 93	100	99⅝	100⅛	0	0	5.77
Central BK. Turkey 7 92	200	102½	103	+0¼	+0¼	6.21
Commerzbank o/s. 5⅜ 93	300	97¾	98¼	−0¼	−1¼	5.90
Degussa Int. 6⅛ 97	200	97¾	98¼	+0½	−0½	6.46
E.I.B 5½ 98	150	96⅝	97⅛	0	−0¼	5.93
E.I.B 6 97	300	98¼	98¾	+0⅜	+0½	6.21
E.I.B. 6⅛ 96	300	99⅞	100⅜	−0⅛	0	6.10
E.I.B. 6⅛ 97	400	99⅞	100	0	+0½	6.16
E.I.B. 6⅞ 95	300	103⅛	103⅞	+0⅛	+0¼	6.23
Euro.Coal& Steel 5⅞ 97	175	97⅛	98	0	+0⅛	6.24
Eurofima 6¼ 96	100	102⅝	103⅛	+0½	+1	5.80
Elec De France 5¾ 97	300	96½	97⅛	0	+0⅛	6.24
Forsmark Krtg. 5⅛ 93	200	97¼	97⅞	0	−0⅛	5.76
I.A.D.B. 6 97	200	97⅞	98½	0	−0⅛	6.28
Japan Dev. Bk. 5⅞ 95	300	96½	97¼	+0⅛	+0¼	5.95
Japan Finance 5¾ 97	100	95	95⅝	0	−0¼	6.49
Ireland 6½ 97	300	99¼	99⅝	0	0	6.59
Korea Dev BK 6⅜ 93	100	99⅝	100⅜	−0½	−2	6.61
Malaysia 6¼ 94	150	99¾	100⅛	−0⅛	+0¼	6.30
Nat. West BK. PLC 6 98	300	95⅜	95¾	0	+0⅛	6.62
Nippon Telg.&Tel. 6 95	400	100	100¼	−0⅛	+0¼	6.08
Oesters. Kontbk. 5 93	300	98	98⅝	+0¼	0	5.42
Portugal 5¾ 92	150	99⅝	100⅛	0	0	5.75
Portugal 6⅝ 95	150	101⅞	102½	−0⅛	+0⅛	6.23
Privatbanken 5¾ 93	150	96¼	96⅝	0	+0¼	6.19
Royal Insurance 5½ 92	300	99⅛	99⅝	−0⅛	−0⅝	5.69
Soc Cent Nuclear 7¼ 95	150	102⅞	103⅜	+0⅛	−0⅛	6.66
Turkey 6½ 95	500	97¾	98	0	+0⅛	6.90
Westlb. Finance 5 93	200	†97¾	98	0	0	5.54
World BK. 6¼ 97	600	100⅛	100⅝	−0⅛	+0¼	6.17

Average price change... On day +0 on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†100¾	101	−0⅛	−0⅜	4.86
Asfinag 5 03	100	†100¼	100½	−0⅛	0	4.96
B.F.C.E. 4½ 98	200	†97	97¼	0	0	4.87
B.M.W.Fin.Neth. 5 13	150	†94¼	94½	+0¼	+0⅞	5.42
Britannia B/S. 4¼ 94	100	†97	97½	−0⅛	−0¼	4.80
CIR. Int. W/W 3 93	125	†100	100¼	0	−0⅞	2.99
Credit Lyonnais 4¾ 00	100	†97	97½	0	0	5.06
E.I.B 4⅝ 98	150	†99¼	99⅜	+0⅞	+0½	4.69
Fletcher Chall. 4⅞ 98	150	†96¼	96¾	−0⅛	+0⅛	5.35
Kobe City 4⅝ 98	150	†98¾	99	0	+0⅛	4.77
Leeds Perm. B/S. 4⅛ 93	200	†98½	99	+0¼	+0⅛	4.42
Malaysia 5¼ 98	100	†98½	99	0	0	5.41
Maxwell Comm.Crp. 5 95	150	†101½	102	0	−0⅛	4.69
Nationwide Ang.B/S. 4 93	200	†96¼	96½	+0¼	−0¼	4.86
Nippon Telg.&Tel.4¼ 95	200	†99½	99¾	−0¼	+0¼	4.31
Oesters.Ktbk. 5 03	75	†99	99½	−0⅝	−0⅞	5.07
Rep.National Bk. 4 93	150	†96	97	+1	+0½	4.40
Thailand 4⅝ 95	200	†95	95¼	+0⅝	+0⅜	5.49
World Bank 5 03	150	†98	98¾	0	0	5.18

Average price change... On day +0⅛ on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Belgium 5⅛ 92	55	*100*	100¼	*0*	−0¼	5.33
Belgium 4⅝ 94	45	95¼	95½	0	−0⅛	5.58
Canada 4⅞ 92	80	96¼	97	−0⅜	−0⅜	5.30
Elec. De France 5⅛ 94	20	98	98⅝	0	−0⅛	5.46
Ireland 5⅛ 93	30	98⅝	99⅛	0	−0¼	5.40
Norway 5⅛ 95	50	97⅛	97½	−0⅛	−0⅛	5.61
Rep. of Italy 5⅛ 92	150	101⅛	101⅝	0	−0⅛	5.25
Sweden 4⅝ 93	50	96⅝	97⅛	0	−0⅛	5.39
World Bank 5½ 92	50	101	101¼	−0¼	−0⅜	5.18

Average price change... On day −0⅛ on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. BS. 10¼ 93 £	50	96⅞	97⅜	−0⅛	−0¼	11.07
Alg. Bk. Ned. 5½ 92 FL	150	97¼	97¾	0	−0¼	6.31
Amro Bank 6¼ 92 FL	150	100¼	100¾	0	0	6.10
Aust.Ind.Dev. 12⅞ 93A$	100	98¼	98¾	+0⅛	+0⅛	13.28
Barc. Bk. 10¼ 97 £	250	94¼	94¾	−0¼	−1	11.21
BP Capital 9⅞ 93 £	100	95	95½	−0¼	−0⅜	11.09
British Airways 10 98 £	100	91⅞	92⅜	−0⅛	−1⅛	11.37
C.I.B.C. Mort. 10¾ 93 C$	100	†98	98½	0	+0⅜	11.23
Comm. Bk Aust. 12⅝ 93A$	100	97½	98⅛	−0⅛	−0½	13.33
Coop.Ctr.Rabo. 6¼ 93 FL	100	99⅝	100⅛	−0¼	−0⅛	6.27
Coop.Ctr.Rabo. 6 92 FL	200	99	99½	−0¼	−0½	6.22
Denmark 7¾ 92 ECU	100	100½	101	0	+0⅛	7.47
Dixons 11 95 £	90	†97⅛	97⅝	+0⅛	−0⅜	11.62
Deutsche Bank 9⅞ 97 £	75	†92⅛	92⅝	−0⅛	−1¼	11.28
Deut. Bk Aust. 12¾ 95 A$	70	99	99½	0	−0¼	12.88
E.I.B 10¼ 98 C$	130	†95⅞	96⅛	0	+0⅝	10.77
E.I.B 8⅝ 93 LF	10	†100¾	101¾	0	0	8.25
Elec.France 10¼ 95 C$	125	†97⅛	97⅝	0	+0⅝	10.80
Euratom 7⅛ 97 ECU	145	95¼	96⅛	0	−0½	8.02
Eurofima 7½ 92 FL	50	†104½	105½	0	−0⅛	5.93
Fed.Bus.Dv.Bk. 9⅞ 92 C$	75	†97	97½	0	+0¾	10.65
Ford Cr.Can. 10¼ 93 C$	100	†99⅛	99⅝	0	+0⅝	10.89
Gillette Can. 9⅝ 93 £	70	91⅝	92⅛	+0¼	−0½	11.85
G.M.A.C. 9⅞ 93 C$	150	†95⅛	95⅝	0	+0½	11.04
G.M.A.C. 9¼ 92 C$	75	†94	95	0	—	11.11
G.M.A.C Aus. Fin. 14 90 A$	50	100	100½	0	−0⅛	13.77
Halifax BS 10⅛ 97 £	100	94⅝	95⅛	−0⅛	−1⅛	11.32
Imp Chem Inds 10 03 £	100	93⅝	94	−0⅜	−1¼	10.87
Inv. Industry Int. 10 93 £	60	95¼	95⅝	0	−0⅜	11.31
Lloyds Bank 10¼ 98 £	150	92⅞	93⅜	−0¼	−1	11.45
Montreal Tst. 10¼ 93 C$	100	†96⅛	96⅞	0	−0⅜	11.68
Mtge.Bk.Den. 6¾ 91 FL	100	100¼	101	0	−0¼	6.45
Nat. West. Bk. 13⅛ 92 A$	50	†98¼	98¾	0	−0½	13.57
Nationwide BS 10⅛ 93 £	75	95¼	96¼	0	−0⅞	11.25
Ned. Midd. Bank 6 92 FL	150	99¼	99¾	0	−0¼	6.15
New Zealand 9½ 93 £	100	93⅝	94⅛	+0⅛	−0½	11.23
New Zealand 7¾ 93 ECU	200	99¾	100¼	0	+0⅛	7.73
Oesters. Ktrk. 13⅝ 94 A$	75	101⅝	102⅛	+0⅛	−0⅛	13.15
Prudential Fin. 9⅞ 07 £	150	†86⅞	87⅜	−0⅛	−1⅜	11.01
Royal Bk. Scot. 10⅝ 98 £	125	94⅝	95⅛	0	−0⅞	11.56
Saskatchewan 9⅞ 91 C$	150	†98	98½	0	0	10.59
S.D.R. 7⅞ 95 ECU	90	98¼	99⅜	+0⅛	+0⅛	7.94
Wstd.Lb.Fin. 12½ 93 A$	50	†99	99½	0	−0½	12.67
World Bank 5¼ 92 FL	100	99¼	100	0	+0⅝	5.86
World Bank 13⅛ 92 A$	100	†99⅞	100⅜	0	+0½	13.30

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.23	99.28	21/01	10.99
Belgium 91 US	0	100.40	100.50	21/02	9
Britannia 5 93 £	0⅛	99.61	99.66	10/10	10.37
Chase Manhattan Crp. 91 US	0⅛	99.36	99.54	22/02	8.94
Citicorp 98 US	†0¼	97.25	97.50	31/08	7.69
EEC 3 92 DM	†0	100.55	100.65	22/08	3.56
Halifax BS 94 £	.1	99.65	99.70	9/11	11.16
Invt. in Industry 94 £	0	99.75	99.84	24/08	7.81
Leeds Perm. B/S. 94 £	0⅛	99.80	99.85	13/01	10.44
Midland Bank 01 £	.1	94.87	95.87	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.75	99.80	30/09	10
New Zealand 5 97 £	.07	99.92	100.02	18/11	11.62
New Zealand 5 01 US	0	99.77	99.87	4/02	8.62
State Bk. NSW 98 US	.188	100.22	100.32	13/02	8.87
United Kingdom 5 92 US	*0	100.05	100.05	7/01	7.81
Woolwich Equit. BS. 93 £	0⅛	99.51	99.56	15/07	5.12
Woolwich 5 95 £	0⅛	99.51	99.56	21/11	11.62

Average price change... On day 0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	101⅛	102¼	−0⅛	24.92
Alco Health 6¼ 01 US	17/86	26.25	104	106	0	−0.24
Amer. Brands 7¾ 02 US	9/87	56.7	97	98	−0¼	20.18
Ashikaga Bank 2⅛ 02 US	4/87	967.	110¾	112¼	−0½	−4.71
Asics 5 92 DM	12/83	472.7	199¾	200⅝	0	6.21
CBS, Inc. 5 02 US	4/87	200.	89¼	90¼	0	12.64
Fujitsu 3 99 US	5/84	1106.	253½	254½	−0¼	−1.83
Kinki-Sogo Bk. 2⅞ 03 US	4/88	1069.	118¼	120¼	+0½	−2.58
Land Secs. 6¾ 02 £	6/87	6.72	90½	91½	−0¼	11.59
MCA Inc 5½ 02 US	9/87	69.62	78⅜	79⅛	+0⅜	31.92
Minolta Camera 2¼ 94DM	2/86	1004.	98⅛	99⅛	0	21.07
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	102	103⅛	−1⅛	1.52
Mitsui trust 2⅞ 01 US	10/86	1903.	110⅞	111½	−0½	−4.50
Next Plc 5¾ 03 £	11/87	4.3	97⅝	98⅜	−0¼	99.03
Nishi Nipp.Bk. 2⅞ 03 US	4/88	804.	105⅞	106⅞	−2	−1.58
Omron Tateisi 2⅝ 02 US	4/87	1310.	195⅝	197⅜	−5⅝	−2.51
Primerica 5½ 02 US	4/87	66.75	65	66	+0⅝	51.99
Ranks Hovis 4¾ 03 £	1/88	3.5	115¼	116⅞	0	−0.60
Redland 7¼ 02 £	1/87	5.4	85¼	86¼	−0¼	14.73
Saatchi&Stchl. 6¾ 03 £	†10/89	4.41	95	96	−0¼	22.79
Texas Inst. 2¾ 02 US	†9/87	82.87	73	74	0	49.48
W.R. Grace 6¼ 02 US	9/87	42.12	79½	80½	0	36.83

* No information available-previous day's price

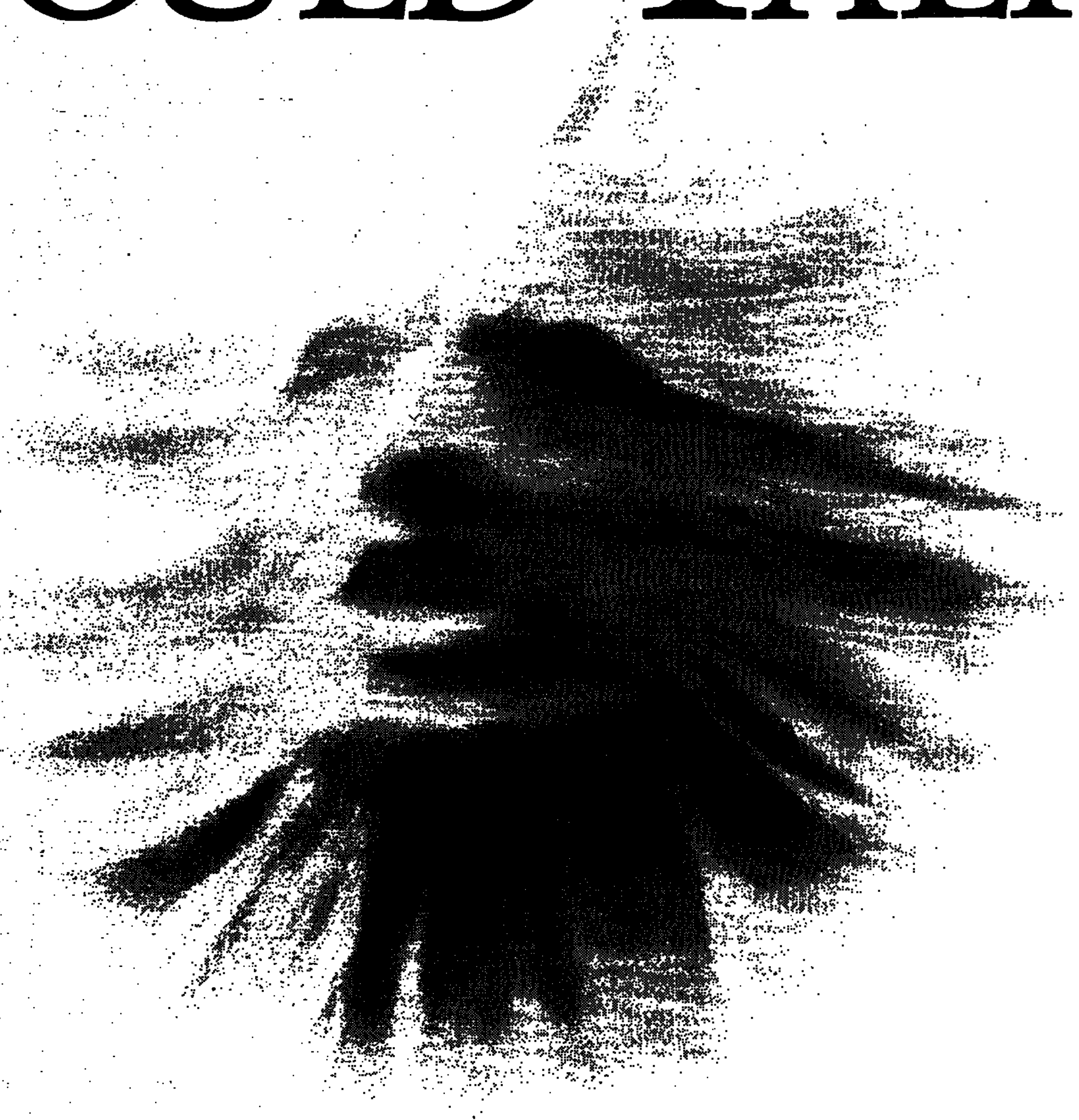
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

IF CUSTOMERS COULD TALK



When it comes to technology, customers have not had the chance to say much.

After all, what they are getting is leading edge; it's state-of-the-art.

It is as good as it comes.

Customer acceptance, then, is believed to be an open and shut case.

Unfortunately, the process involving the end-user with product development often becomes more shut than open.

The need for an Open Process

Ever since there has been more than one computer manufacturer there's been more than one operating system.

Fair enough.

You can't choose the best system until you have a choice.

In fact, most of us have made several choices. A different system for a different application.

What is needed now is a truly open operating system.

Industry-wide. Worldwide.

Allowing immediate access and flow of information, regardless of computer architecture.

Such an open environment, however, cannot be developed in the isolation of a single vendor's lab. It has to involve as many vendors as possible.

And, it has to involve you.

How in the World can this be done?

Creating a worldwide standard open operating system requires worldwide resources.

Some of the world's biggest names in computer technology have committed to this venture.

They have formed Open Software Foundation.

Their task, though, is not to create yet another computer system, but to provide the forum *for the Open Process.*

The rest is up to us.

It takes an "Open Environment" to make one

OSF will issue Requests *for Technology for the industry in general.*

All responses are welcome, from members and non-members alike.

The OSF members, made up of users, vendors, standards bodies, the academic community and government agencies will review proposals based on the industry input.

Initial offering specifications will be produced for our membership to evaluate. And debate.

The open environment technology selected will be based on open dialogue and free exchange of ideas.

The result will be the establishment of an environment that will work for everyone.

We're looking for Open Minds

You can help shape the future of the computer industry as well *as get a head start on your own* Information Technology strategy by participating with us.

Further, you can ensure the next generation of operating systems are appropriate to real, business applications: your own.

Customers obviously can talk.
Now they have a chance to be heard.

To find out how you can join us call us on (32 2) 640 04 95, or write to us at 475 Avenue Louise, 1050 Brussels, Belgium.

OPEN SOFTWARE FOUNDATION

UK COMPANY NEWS

BBA reduces heavy borrowings by raising £12.2m through disposals

BBA GROUP, motor components and industrial materials company, yesterday said it was making a number of disposals in an effort to tackle the heavy borrowings burden it was left with following the take-over of Guthrie Corporation earlier this year.

Yesterday's sales raised £12.2m, reducing BBA's gearing from 100 per cent at the end of June to between 85 and 90 per cent.

Guthrie's Australian towelling and carpets businesses have been sold to their management for £7.1m, while various Guthrie buildings have gone for about £4m.

Meanwhile, BBA is raising £1.1m through the sale of Stirling-based Scandura Industrial Rubber.

Mr Ray Mitchell, BBA spokesman, yesterday said the company remained committed to reducing group borrowings "by hook or by crook."

Last month, the company announced the sale for £2.5m of a £12m option over its Auto Safety centres to Shell (UK), and in July it said it had sold its part of its site in Cleckheaton, West Yorkshire, to supermarket concern Asda.

B&C offshoot sale

British & Commonwealth Holdings, financial services group, is negotiating to sell its Milestone Leasing subsidiary to Woodchester Investments, acquisitive Irish-based leasing, in which B&C has a 56 per cent stake.

If the disposal proceeds, B&C will have put all its leasing interests into Woodchester, with the exception of Atlantic Computers, computer leasing company, which B&C agreed to buy in July for £407m.

● B&C owns or has received acceptances for 93.1 per cent of Atlantic's share capital. The offer is unconditional in all respects and remains open until September 14. The loan stock and cash alternative will remain open until that date but the mix and match election has closed.

Bristol Waterworks

Following an application in the offer for sale by Bristol Waterworks, General Utilities, a wholly-owned subsidiary of Compagnie Generale des Eaux, has been allotted £576,415 4.9 per cent new ordinary.

General Utilities now holds £1.74m of voting stock.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Assoc-Henriques ......int	0.75	Oct 6	-	-	-
Blackwood Hodge ...int	0.6	Nov 11	0.55	-	1.2
Cadbury Schweppe ...int	2.4	Nov 21	2.1	-	8
Church & Co ....int	3	Oct 21	3	-	11.5
Cooper (Alan) ....int	2.1	Oct 14	1.5	-	4.75
Cundell Group ....int	1.28	Nov 4	-	-	2.25
Grafton Grp ....int	1.5ϕ	Oct 1	1	-	2
Home C'ties News.....int	3.73	-	2.5	-	7.5
Kalon Group ....int	0.3	-	nil	-	nil
Lambert Howarth ....int	2.5	Oct 21	2.5	-	8.5
Meggitt Holdings......int	0.9	Dec 2	0.75	-	2.25
Record Holdings .....int	*0.66†*	–	–	–	*0.55*
UK Paper ....int	2	-	-	-	-
WPP Group ....int	5.4†	-	1.5	-	6.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ϕThird market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Black (A & C), More O'Ferrall, Porvair, Ruo Estates.

Final- S.E.E.T.

FUTURE DATES

Interims-

Avdel	Sept 8
Elswick	Sept. 12
Keep Trust	Sept. 8
Kerry Group	Sept. 12
MTL Instruments	Sept. 13
P & O	Sept. 13
Tavener Rutledge	Sept. 15
Technology Project Servs	Sept. 8
Wereldhave	Sept. 8

Finals-

Beverley Investments	Oct. 3
Cantors	Sept. 19
Citygrove	Sept. 9
Fletcher Challenge	Sept. 14
Int'l. Colour Management	Sept. 6
Microfilm Reprographics	Sept. 30
Scholes (G H)	Sept. 14

Enlarged WPP beats City hopes with £16.2m in the first half

By Nikki Tait

WPP, the advertising and marketing services group which a year ago won an ambitious £351m bid for the New York-based JWT Group, yesterday bettered City expectations with first-half profits of £16.2m before tax. The result is scored from turnover of £256.7m.

The figure compares with just £3.3m in the first six months of 1987, before JWT became part of the group. It also takes in first time contributions from six smaller "infill" acquisitions. At the earnings per share level, there is a 50 per cent increase to 22.5p. The shares, however, fell 21p to 577p – having strengthened ahead of the figures.

Yesterday, WPP said that the organic growth from the original marketing services businesses topped 20 per cent, and that operating margins for the group overall had increased from 5.3 per cent a year ago, to 8.9 per cent at end-June. At the last calender year-end, it put the figure at 7.5 per cent.

WPP attributes much of the margin improvement to higher new business levels and greater operating efficiencies at J Walter Thompson, the Madison Avenue-based advertising company, and public relations group, Hill and Knowlton. Both were previously part of JWT.

Although, WPP does not break out the contribution for the JWT subsidiaries individually, Mr Martin Sorrell, WPP's chief executive, said yesterday that overall they had all made pre-interest profits of about $30m in the first half compared with just under $13m last time.

WPP adds that the pre-tax margin at JWT has improved from under 4 per cent in the first half of 1987, to 8.4 per cent. When acquiring JWT it had suggested that a 10 per cent margin should be achieved within a four-year period. It says this objective should be met by 1989.

It also says that Hill and Knowlton achieved a "significant turnround" in the first half. After an operating loss of $8m in 1986 and break-even in 1987, there was a $3m pre-tax profit in the first half.

Of the other JWT subsidiaries, MRB Group was "on budget." Lord, Geller, Federico, Einstein – the substantially smaller New York ad agency which saw key executive defections earlier this year – came in under budget but in the black.

IBM, the agency's key customer, however, is currently reviewing its account and a decision is expected very shortly. The injunctions against the new rival agency set up by the defectors are still outstanding. The court's ruling is also expected fairly shortly.

WPP says it intends to pursue its claim for damages against the defectors, and their financial backer, Young & Rubicam.

WPP also says that the JWT acquisition debt of $260m will be reduced to $100m following the sale of the Tokyo freehold and the payment of tax on the transaction.

The tax charge is £7.69m, against £1.44m, and the dividend is up from 1.5p to 5.4p. Yesterday, WPP declined to comment on its rumoured bid interest in the Charles Barker agency.

See Lex

City predicts Racal will fall short of its targeted valuation

By Hugo Dixon

SEVERAL CITY institutions said yesterday that the recent decline in the stock market would make it difficult for Racal to achieve a value of £1.75bn or more for the flotation of its telecommunications subsidiary.

The strength of City opinion may make it difficult for the UK electronics company to continue with its plan to float Racal Telecom, with its flagship Vodafone, the mobile phone operator. Racal will not be able to go ahead with the flotation as it originally intended unless Racal Telecom can be valued at £1.75bn or more.

An informal poll of seven institutional investors and stockbrokers found only one which felt that this sort of figure was achievable.

Racal said it was still planning to go ahead with the flotation in mid-October, but admitted that it would depend on market circumstances.

The need to achieve a valuation of more than £1.75bn stems from Racal's wish to sell only 20 per cent of Racal Telecom. The Stock Exchange normally insists that at least 25 per cent of a subsidiary is floated, but has agreed to make an exception in this case provided more than £350m in equity is sold.

The City institutions were polled on a day that Racal's share price fell 10.5p to 293.5p, valuing the whole group at £1.9bn and implying a value for Racal Telecom of only £1.1bn to £1.2bn.

"In these (market) conditions, I would have thought they would be at the limit of their ingenuity to achieve £1.75bn," said Mr Martin Mabot, an analyst at Morgan Grenfell.

Ms Nicola Thomas, a fund manager at Schroders, said: "Even at £1.6bn, we would not be wildly keen on it."

Another institution, which did not wish to be named, said Racal did not have a "cat's chance" of getting £1.75bn.

Piers Whitehead, an analyst at Robert Fleming Securities, argued that Racal's best chance was to sell the issue in the US, where mobile telephone businesses have high values. "If I was a UK fund manager and this was solely a UK issue, I would not dream of paying the sums Racal is talking about."

Only Mr Neil Dunford, a fund manager at Morgan Grenfell, was reasonably optimistic. "I think it is a do-able thing."

Blackwood advances to £4.8m on the back of US acquisitions

By Vanessa Houlder

EXPANSION IN the US helped Blackwood Hodge, the world's largest distributor of earth-moving equipment, increase pre-tax profits by 36 per cent from £3.53m to £4.79m for the first six months of 1988. Turnover rose by 39 per cent from £138.3m to £192.9m.

The company said that acquisitions, particularly in the US, had improved the quality of earnings and given a more soundly-based international spread of activities. The results included contributions for three months from ACSAS in Australia and for two months from the Ferguson Supply business in Canada.

In an effort to reduce its gearing, the company is seeking approval to place, at an appropriate time, £15m of cumulative redeemable preference shares.

Turnover in Canada increased by 19.4 per cent to £48.8m, despite a strike in the construction industry in Ontario.

In the US, where turnover trebled to £54.5m (£18.1m) as a result of acquisitions, market share and prices of Japanese equipment came under competitive pressure. However, Mr Ken Scobie, managing director, said this would be a short-term problem.

In the UK, turnover increased by 5 per cent to £37.1m. The company benefited from the boom in the construction industry although it was hampered by the weakness in its product range.

In Australia, where turnover rose by 21 per cent to £26.6m, trading is currently at satisfactory levels. In Africa, where sales expanded by 22.8 per cent to £12.4m, the group continues to participate in world bank and other financing programmes and expects to see an increase in business in the second half.

Earnings per share increased by 19 per cent to 2.19p (1.84p). The interim dividend was increased from 0.55p to 0.6p.

● COMMENT

In a miserable market, any news is bad news and Blackwood Hodge's reward for these robust results was to see 3½p lopped off its share price. At 47½p, the shares are on a rating of less than 7, assuming it makes profits of £15m in the full year. That, on the face of it, does not do justice to the management's impressive performance in pulling the company out of the mire in which it found itself five years ago. Yet it seems unlikely to be improved until Blackwood announces a major acquisition in the UK. Only then can it make full use of its tax losses and unrelieved ACT – which will give a kick to profits and allow it to boost its dividend yield, now standing at less than 4 per cent. The snag is that a sizeable UK acquisition – with profits of at least £5m – will not come easily, if Blackwood's fruitless search of the past 18 months is anything to go by. It has to contend with its lowly rating and high gearing (over 50 per cent) and furthermore its dominant position in its field means that it must spread its net beyond its existing expertise. When it does succeed however, shareholders' patience is likely to be well rewarded.

Yale agm yawns as Davis grills Montague

By Clay Harris

TWO OLD pals raked over the coals of a former friendship yesterday before the shareholders of Yale and Valor.

Mr Michael Montague, chairman of the locks and household appliances group, found himself interrogated for more than an hour by Mr Norman Davis, a friend for 30 years and director of the company for nearly 20.

The confrontation – which passed off with good humour – had been on the cards since Mr Davis left Yale and Valor in May after a row which has not yet been fully explained. He had forced the postponement of the annual meeting because of the late posting of some notices.

It overshadowed, for one day at least, the takeover speculation which has dogged Yale and Valor in recent months. After "friendly meetings" with the chairmen of Williams Holdings and Ingersoll-Rand, which hold just less than 4 per cent and 3 per cent respectively, Mr Montague said there was no indication that either was anything other than an investor.

Mr Davis eventually withdrew a motion calling for the strengthening of the board after Mr Montague agreed that there would be "additions to the board of extremely capable directors".

To underline his views about the board's financial expertise, Mr Davis spent more than an hour asking a series of largely technical questions about the 1987-88 accounts. Long before he finished, other shareholders were getting restless.

Mr Montague played fair – and played to his audience. "Norman feels bitterly – there's no doubt about that. It's in the best interest of this company for him to get this off his chest."

So Mr Davis ploughed on, despite mutterings around him and Mr Montague's pertinent remark at one point: "So that's the purpose of your question: has it been handled differently from the way Norman handled it in the past?"

Nevertheless, he succeeded in winning Mr Montague's admission that he had erred in a statement last year about a political contribution. Moreover, the company was prompted to admit, it had made "several million pounds" of specific provisions relating to last year's US acquisitions. And, yes, Mr Montague said, it *was* Mr Davis who came up with the scheme to shelter US profits through carried-forward tax losses.

"When it comes to fiddling tax – if that is the right way to put it – I bow to your superior knowledge in these matters," Mr Montague said. "You've been very useful to me on personal tax matters." In an aside to shareholders, he added: "If any of you has tax problems, go to Norman."

Later he added, after one especially abstruse exchange: "I'm not an accountant – and after what I've heard, I say that with some pride."

Mr Davis alone voted against the re-election of Mr Tony Marson, his successor as finance director, and abstained on the vote to approve the accounts.

After the meeting, Mr Davis declined to pose for a photograph shaking hands with Mr Montague. That, he said, would have to wait until the promises were fulfilled to his satisfaction.

Meggitt rises and buys Microsystems for £34.4m

By Vanessa Houlder

MEGGITT HOLDINGS, specialist engineering group, yesterday announced an agreed bid for Microsystems Group, a USM-quoted electronic products company, for £34.4m in shares and cash.

At the same time, it announced a 27 per cent increase in pre-tax profits to £8.63m (£6.81m) for the first half of 1988. Earnings per share increased by almost 10 per cent to 4.5p. An interim dividend of 0.9p, up 20 per cent, was announced.

Mr Ken Coates, Meggitt managing director, described Microsystems as an exceptionally good fit. He added that the acquisition fitted the company's plan to expand its industrial activities to counter the possible weakening in the defence market in 1989.

Microsystems designs, manufactures and markets products – from bus-ticketing machines to fuel monitoring and industrial leak detection equipment.

The two founders of Microsystems, Mr Roger Harding and Mr Mike Jackson, who between them own 52 per cent of the share capital, have accepted the offer. They will stay with the company for a limited period.

Microsystems suffered a fall in pre-tax profits from £1.8m to £1.75m for the six months to April 30 on turnover of £12.8m (£7m). The decline was blamed on a delay in a £2m bus-ticketing system contract. Brokers expect the company to make pre-tax profits of £4m (£4.1m) for the full year.

The offer values each Microsystems share at about 240p – a 13 per cent premium to yesterday's price. The terms of the offer are six new Meggitt shares plus £2.60 in cash for every five Microsystems shares.

Following the announcement, Microsystems' shares rose 19p to 232p before falling back to 225p. Meggitt's share price fell from 97p to 92p.

● COMMENT

Not all analysts were overjoyed by these results. Even considering the rise in the tax charge, earnings growth seemed somewhat lacklustre and the weakening defence market may suggest that Meggitt's performance will not pick up in the year ahead. That said, there were few quibbles about Meggitt's latest acquisition. Microsystems has a clutch of sophisticated high-tech products that should benefit from Meggitt's marketing network and its greater financial clout. The price paid is unlikely to dilute earnings and although Microsystems is going through a dull patch this year, there seems no reason why it should not revert to its strong growth path in the next. Profits for the full year for the group as a whole should reach £21m, which puts the shares on an undemanding multiple of 8.5.

Kalon back in black with £1.15m

By Fiona Thompson

KALON GROUP, which plunged into the red last year because of stock losses, bad debts and management problems, yesterday reported a return to profitability.

The West Yorkshire-based paints and chemicals company announced pre-tax profits for the six months to July 2 of £1.15m. This compares with a £556,000 profit for the first half of 1987 but a £1.45m loss for the complete year.

Earnings rose to 0.61p (0.31p) and the interim dividend is 0.3p (nil).

"We have turned the corner," said Mr Mike Hennessy, group managing director. "We have a lot more stability, we have reduced stocks and improved debt collection."

The company has made a number of disposals in the last six months, returning to its three core businesses of decorative paints, industrial coatings and chemicals.

The £14m cash from the disposals has been used to reduce borrowings and gearing has dropped from 100 per cent a year ago to 35 per cent now. "We hope to reach 30 per cent by the year-end," said Mr Hennessy.

Turnover rose from £42.59m to £46.06m.

● COMMENT

The new management at Kalon has made sound progress on the road to recovery. It has sold costly peripheral activities and returned to its core businesses, cut down substantially on working capital and imposed a much needed strict financial discipline. Because of the lack of financial controls, the company had not passed on to its customers increased raw materials costs and had been carrying too much stock. With the implementation of the tighter regime, profits should move ahead for the market leader in the supply of own label paints to all the big DIY home improvement groups. Analysts are looking for a little more than £3m for the full year, putting the shares on a prospective p/e of 18, a touch expensive.

Cookson in £8m US expansion

By Clare Pearson

Cookson Group, specialist metals and chemicals company, is strengthening its position as a printing industry supplier by taking over Anchor/Lith-Kem-Ko, Florida-based press room chemicals group, for $13.55m (£8m).

Cookson also extended its £24.7m contested offer for Wolstenholme Rink, lithographic materials group, until September 13. Cookson owns, or has received acceptances in respect of, 1.2 per cent of the shares.

Mr Michael Henderson, chief executive, said that Cookson would hope to increase Anchor's penetration of the European market, where it currently makes about 20 per cent of its sales. Anchor made pre-tax profits of $1.55m on sales of $11.6m in the year to June 30.

Wolstenholme shares, valued at 397p on the basis of Cookson's five-for-three share offer, closed at 478p.

Acquisition for First Technology

First Technology, manufacturer of safety systems and equipment for the security, fire detection and protection markets is to acquire Anglo Swedish Group, a UK design consultancy group specialising in automotive engineering. The purchase will be funded via a one for two rights issue at 325p to raise £14.7m.

UK COMPANY NEWS

Lambert Howarth profits tumble

By Alice Rawsthorn

LAMBERT HOWARTH saw its share price tumble by 45p to 135p yesterday after announcing that first-half pre-tax profits had fallen from £880,000 to £51,000 because of intense competition in the footwear market.

Since last autumn the UK shoe industry has been hit by a surge in imports from the Far East, following the fall of the US dollar, and the Far Eastern currencies linked to it, on foreign exchange markets.

Companies like Lambert Howarth, which derives 60 per cent of its turnover from its footwear production plants in the UK, have seen sales fall and margins weaken because of the pressure from imports.

Sales rose to £19.4m (£16.6m), but operating profits fell to £193,000 (£713,000) in the six months to July 1. Lambert paid £142,000 (£33,000) in interest. Earnings per share fell to 0.7p (8.1p) and the interim dividend is unchanged at 2.5p.

Mr Alan Linton, chief executive, described trading conditions in the interim period as "very tough". Lambert's footwear manufacturing interests made a loss during the first half, he said, but the group benefited from the growth of its importing interests and its recently acquired luggage companies.

Lambert has already taken action to cut costs within manufacturing. It has been shedding labour through natural wastage for the last four months and has announced the closure of one of its four factories. The factory, at Bacup in Lancashire, will close by the end of the year. The machinery and most of the workforce will transfer to another plant, at nearby Burnley.

The importing business, which sources footwear from the Far East, was responsible for most of the growth in sales. Its performance suffered, however, from the extra costs incurred in the launch of the Hitz sports shoe range. Lambert had to airfreight supplies into the UK, because of production delays in the Far East.

Mr Linton described the progress of Custom, the luggage business bought last year, as "satisfactory". He said, though, that its expansion was taking "longer than we had hoped".

● COMMENT

Given the present *tristes* of the shoe industry it would have been foolish to expect anything other than a lousy set of results from Lambert Howarth. Yet these interims were even lousier than the City had expected and the share price collapsed yesterday. The flow of footwear imports has eased in recent months. But domestic demand is still sluggish and pressure on prices is as strong as ever. The prospects for improvement in the short term are, at best, slender. Lambert can, at least, turn to its own importing activities, albeit at lower margins than manufacturing. In theory, the company should be prey to predators. In practise, the forlorn outlook for footwear will probably provide a deterrent. The only sensible option is to cut costs and pray that profits from imports will cover the losses from manufacturing and, for shareholders' sake, the dividend too.

UK Paper rises to £8.4m and exceeds expectations

By Maggie Urry

UK PAPER, the printing and writing paper maker floated in March, reported a 38 per cent rise in pre-tax profits for the first six months of 1988.

The pre-tax profits figure of £8.4m (£6.1m) was better than expected and the shares rose 5p to 164p.

Mr Tom Wilding, chairman and chief executive, said the group had so far achieved all it had set out to do and the future looked at least as promising as at the time of the offer for sale.

Much of the pre-tax profit gain came from a £1.8m reduction in interest charges to £1.2m.

Operating profits from the continuing businesses rose by 14.3 per cent to £9.6m on sales 18.6 per cent higher at £106.4m.

Mr Wilding said there had been strong performances from the three paper mills, with operating profits rises ranging between 18 and 25 per cent.

However, start-up costs of £150,000 were incurred in opening two branches for the William Guppy paper merchanting business which meant that profits there were slightly lower. Mr Wilding said that he expected Guppy to expand rapidly over the next two years and that while turnover would rise, profits growth would be held back in the short term.

Strong demand for the company's paper meant that the group was working at full capacity and plans to increase production were being accelerated.

Earnings per share, after an estimated 17.9 per cent tax charge, were 9p (7.2p on a pro forma basis). The tax charge is likely to be sub-normal for some years. A 2p interim dividend will be paid, which compares with a notional interim of 1.67p. The notional full-year dividend for 1987 was 5p.

● COMMENT

Any doubts about UK Paper at the time of the flotation were about the longer term rather than the current year. The company has made the best of the strong demand despite frequent rises in pulp prices, and constant up-dating of the paper machines — so far with minimal disruption — is keeping production rising and quality improving. There is no sign yet of a weakening in demand which observers fear will combine with industry-wide capacity increases in 1989 or 1990 to bring an end to the fun. In any case UK Paper's best defences, should that happen, are its market-leader position, the upgrading of machines and the improved quality. Forecasts for the full year of around £20m (£15.4m), including a pension fund holiday worth £1.7m in both years, suggest an actual tax p/e under 5 which adequately discounts concerns about cyclicality.

P and O ups Taylor stake to near 10%

By Nikki Tait

PENINSULAR AND Oriental Steam Navigation, shipping and property group headed by Sir Jeffrey Sterling, has increased its stake in Taylor Woodrow, construction company, by a further 2.225m shares to 15.65m or 9.9 per cent.

Earlier this month, when announcing interim figures, Taylor Woodrow indicated that any substantial rise in the P and O stake would not be welcome. Yesterday, it said it had no comment to make other than to stress that it intended to remain independent. P and O, meanwhile, continued to maintain that the shares represented a trade investment and that the company had no hostile intentions.

Ellis buy doubles US operation

By Clare Pearson

ELLIS & EVERARD, independent chemicals distributor, is doubling the size of its US operations with the $36.2m (£21.6m) acquisition of United Chemicals. The deal will be funded by a one-for-two rights issue to raise £25.5m.

The rights issue is priced at 145p, compared with a close on Wednesday of 184p. Yesterday the shares fell to 170p. ICI, Ellis's 28 per cent shareholder, has said it will take up its rights to about 5m new shares.

United Chemicals is described as an excellent geographical fit with Ellis's existing US network. "It will move us neatly up the eastern seaboard from our base in the south," Mr Stephen Bentley, finance director, said yesterday.

The addition of United Chemicals, which operates mainly in Maryland, Pennsylvania and Ohio, will bring Ellis's US turnover to about $170m and make it the sixth biggest chemicals distributor in the US.

The charge for United is about £18m, while Ellis is also paying Sanitas, United's owner, about £3.2m for a five-year non-competition agreement. United made pre-tax profits of $4.03m on turnover of $87.61m in the year to June 30.

Ellis intends to use the balance of the rights proceeds to pay for some small acquisitions it has made this year. It is considering the purchase of a private UK company which will cost a maximum of between of £4m and £5m.

The company's gearing will fall to about 9 per cent after the US deal and rights issue.

Associated Henriques £0.7m

Associated-Henriques, the trade finance house which joined the main market in January, reported pre-tax profits of £652,736 on turnover of £1.02m for the six months to June 30.

Earnings per 5p share worked through at 1.28p, and as forecast in the prospectus, a maiden interim dividend of 0.75p is declared.

Record Holdings 30% up

ALL-ROUND growth helped Record Holdings to raise pre-tax profits for the first half of 1988 by 30 per cent from £1.2m to £1.55m. Turnover for the Sheffield-based maker of hand tools was higher at £16.33m, against £12.46m, an increase of 31 per cent.

Earnings per 5p share for the company which returned to the market in October last year were 3.75p (2.96p). The interim dividend is 0.68p against a single final payment last year of 0.55p.

Turnover was split between £10.98m (£7.61m) in the home market and £5.35m (£4.85m) exports. Tax took £481,000 (£379,000).

Inoco sale

Inoco, a former oil company which is being turned into a property group by Mr David Rowland, yesterday sold its residual US oil and gas properties to Firstland Oil and Gas.

Payment is in the form of $250,000 in cash and 1.25m shares in Firstland. At yesterday's Firstland price of 36p, the deal is worth around £600,000.

Church up midway despite US

By Alice Rawsthorn

CHURCH & CO, footwear manufacturer and retailer best known for its traditional men's brogues, saw pre-tax profits rise by 8 per cent to £2.2m in the six months to end-June despite the impact of the weak dollar on profitability in the US.

Mr Ian Church, chairman, said that the company had fared well in the interim period, especially in manufacturing, and that order books were "very, very full" for the rest of the year.

Sales rose to £30.8m (£29.3m) while earnings per share increased to 12.8p (11.6p). The interim dividend is unchanged at 3p. Church's share price fell by 10p to 450p yesterday.

In the last year or so, much of the UK footwear industry has suffered from rising imports and falling output. These problems have been concentrated among the mainstream manufacturers of women's shoes, like Lambert Howarth which reported a fall in profits yesterday. Church, a specialist in expensive men's shoes, has emerged unscathed.

The only difficult area of activity in the first half was the US, where the company suffered a fall in margins. Mr Church said that US sales had increased, but not enough to counter the effects of the weak dollar.

By contrast, Church experienced strong sales growth in Europe, especially in France. It also made gains in the Far East, where it now sells in South Korea, Taiwan and Hong Kong as well as in Japan, its traditional market.

Mr Church said that so far the strength of sterling had had no effect on export sales — which provided 75 per cent of turnover — apart from in the US.

A. Jones, the subsidiary embracing UK retailing, increased profits to £702,000 (£505,000) on sales of £13.6m (£13.2m). Earnings per share increased to 43.2p (39.9p).

Bid target Ruberoid to sell site for £7m

By Clay Harris

RUBEROID, the building materials group, is to sell the Essex site of its Catalin resins and resin-impregnated papers subsidiary for £7m in cash.

The company, which is fighting a £127m takeover bid from the housebuilder Raine Industries, said the disposal would produce a £4.5m profit after allowing for estimated relocation costs to a yet unchosen site.

Mr John Roberts, Ruberoid chief executive, pointed out, however, that Catalin's entire product range was under review.

Mr Peter Parkin, Raine chief executive, said the disposal smacked of "desperation," but Mr Roberts said it had been planned before the bid was launched.

Ruberoid, meanwhile, is due to produce a profits forecast later today. Mr Roberts confirmed yesterday that it would be ready by this afternoon.

However, Ruberoid and its public relations consultants, Infopress, said the document would not be released to the Stock Exchange or made available to the weekday press until late tonight.

"We're timing it for the Sundays really," Infopress said. Briefings for journalists on Sunday newspapers are due to begin today.

Cundell growth

Interim results of Cundell Group reflected the continuation of the growth seen in the second half of the previous year. Compared with the first half of 1987, pre-tax profits were 52 per cent higher at £1.31m, against £859,000.

Turnover for the corrugated packaging manufacturer in the six months to July 1 rose to £19.84m (£16.26m). Earnings per 10p share were 4.79p (3.47p) and there is an interim dividend of 1.28p.

TR Industrial meeting with British Coal

By Nikki Tait

A meeting between BZW and Kleinwort Benson, advisers to the British Coal Pension Funds and TR Industrial and General Investment Trust respectively, is expected to take place later today.

The pension funds launched a 129.5p a share offer for TRIG last week, having raised their stake in the trust, one of the largest in the sector, from just under 30 per cent to 36.1 per cent. Both sides are understood to be seeking clarification of intentions and response.

Earlier this week, the TRIG board met to consider the £560m bid, which arrived when most directors were on holiday, but decided to send only a holding letter to shareholders. It added that its detailed views would be made known when the offer document was published.

COMPANY NEWS IN BRIEF

AMALGAMATED FINANCIAL Investments is selling Kings Cross House, London, for £43.4m. The property has been held for two months by Assetmerrit, a joint venture company in which AFI holds 42.855 per cent of the issued share capital. AFI will make £1.5m profit on the sale.

AVDEL, the former Newman Industries, is fully listed. It was incorrectly described as a USM-quoted company in yesterday's edition.

CITY GATE Estates has sold an 88,000 sq ft freehold property scheme at Richford Street, Hammersmith, London, for £17.75m cash to a private investment company. It is City Gate's first deal since joining the USM last July.

COOPER (ALAN) Holdings (Office furniture manufacturer): Turnover £5.12m (£4.37m) and pre-tax profits £1.32m (£976,000) for six months to June 30. Earnings per 10p share 8.24p (6.23p) and interim dividend 2.1p (1.5p).

DALE ELECTRIC International had an outstanding order book of £24m annual meeting told. Chairman expected a further increase in profitability for the year to April 1989.

ENGLISH & OVERSEAS Properties: Turnover £1.87m (£1.93m) and pre-tax profits £545,000 (£233,000) for the half year ended June 30. Earnings 10.5p (4.3p). They expected to recommend a dividend of 1.3p for 1988. Pentos has a 29.9 per cent interest.

HIGHGATE & JOB Group (Chemical manufacturer): Turnover £1.7m (£3.37m) and taxable profits £35,060 (losses £297,728) for year to March 31. Earnings 2.1p (losses 19.7p) before extraordinary debits totalling £117,031 (£31,173).

HOME COUNTIES Newspapers Holdings: Turnover £8.7m (£6.95m) and pre-tax profits £1.73m (£1.15m), after exceptional provision of £227,000 (nil), for six months to July 1. Tax £632,000 (£418,000). Earnings 22p (14.6p) and interim dividend 3.73p (2.5p).

PERGAMON PROFESSIONAL and Financial Services said it owned or had received irrevocable acceptances in respect of 29.19 per cent of ordinary shares in AGB Research and 0.13 per cent of convertible preference shares.

WESTFIELD INTERNATIONAL, US operator of shopping centres, which came to the market in July, reported pre-tax profits for first half of 1988 of $4.9m (£2.9m) on turnover of $15.26m. Net asset backing per $1 share, fully diluted, $3.43.

Norfolk House sells 58 sites for £26.39m

By Paul Cheeseright
Property Correspondent

Norfolk House, petrol station and service area property development company, is selling 58 properties to Petrofina UK, a subsidiary of the Belgian oil and chemicals company, for £26.39m.

However 35 of the sites will be leased back by Norfolk for two years.

Norfolk's proceeds from the sale will be used to develop and operate 55 other petrol station sites it already owns.

The company, the shares of which started trading on the USM in March, both develops and operates petrol stations and service areas on its own behalf and provides a similar service for the major oil groups.

The transaction with Petrofina is staggered over six months.

Petrofina will buy 20 sites this month for £9.68m and a further 34 for £13.265m by the end of March 1989. The remaining four sites will be bought by Petrofina for £3.445m provided Norfolk can obtain planning permission for them.

Barometer set fair for another year

By Paul Cheeseright, Property Correspondent

The evening rush hour on the trading estate in Slough starts later these days. This is both an indication of the confidence in the industrial sector, interest rate increases notwithstanding, and a boon for Slough Estates as the rent collection tills ring happily.

This trading estate – 486 acres and 7.4m square feet, of space of which about 1m is taken by Mars – is the foundation of the fortunes of Slough Estates, the biggest developer of industrial and general commercial space in Britain.

If any company is likely to benefit from the economic growth of recent years it is Slough Estates, with properties throughout the south-east and to a lesser extent in the Midlands and north. Its British portfolio is more than 17m sq ft, of which nearly 13m is industrial and warehousing property. It is a barometer of the industrial property market.

But the phrase "industrial property" should not be interpreted narrowly. These days the sector is widely defined taking in high-tech space with a substantial office content, warehousing, as well as premises where people actually make things.

The only place where the group has vacant space in its established properties is Aberdeen. Two years ago the only area of Britain where it was drawing in higher revenues through higher rents was the south-east. But over the last two years, long term vacant space outside the south-east has been taken up – in Chester, for example. "We are starting to invest and reinvest where we have done little for a long time," says Sir Nigel Mobbs, the chairman. Birmingham is an example.

This week the group gave an indication of how it is faring in the present state of the market with an announcement of pre-tax profits for the first half of 1988 at £34.1m, 21.8 per cent higher than in the 1987 first half.

But the market has become more concerned about high interest rates than the fact that the rush hour on the trading estate is later.

Over the last year the average increase in rents on the Slough trading estate has been about 20 per cent. Pure office rents have reached about £20 a square foot, the top industrial rents have climbed to £10 and for sheds with a 30 per cent office content, rents are running between £7.50 and £8.00 a square foot.

Elsewhere in the country rents have moved likewise and sometimes by considerably more, although they have started off a much lower base. These sort of figures explain why returns for industrial property over the last few months have been outstripping those for retail and office property.

It has all seemed too good to last and there is caution at Slough Estates about the medium term prospects. "We are relatively content into the second half of next year, but at that point the crystal ball gets a bit cloudy," says Sir Nigel.

> **"The industrial market now, compared with 20 years ago, is much more broadly based. It is not only about manufacturing. It is about services and distribution. We are seeing a conglomeration of uses." – Sir Nigel Mobbs, chairman of Slough Estates.**

There is concern at Slough Estates about the impact of the rating revaluation and the imposition of the new uniform business rate. While this might not adversely affect industrial properties in the north, it could in Slough and the south-east. Nor is it clear what will be the impact of Government moves, through the increases in interest rates, to dampen down some of the fire in the economy. It has had no market effect so far, from the Slough Estates viewpoint, but it could have in a few months.

The market itself is hot and this can be seen in the way that land prices have been bid upwards by developers hungry to enter the market. Slough Estates is always looking for land so as to have a sufficient supply for a development programme running about three years ahead. But, sighs Mr Graeme Elliot, the vice-chairman, "We always fail in our bids for sites. Some of the prices are crazy."

The company bid for a site in Birmingham which originally had been for sale at up to £1.7m. It put in a bid for £2m. The vendors promptly rejected that and other bids. They put the site back on the market with a starting price of £2m.

Higher land prices have frequently made it uneconomic for developers to erect industrial sheds. The prices have made sense only if the land could be used for high-tech premises, taking advantage of the new B1 use class which creates a new business category and wipes out the difference between light industrial and office use.

Now, in the south-east, there are signs of over supply, notes Mr Roger Carey, the Slough Estates development director. "High-tech is not easy to get away." The group has built 300,000 sq ft at its Winnersh Triangle, near Reading. Half of that has been let to Digital Equipment, but the other half awaits a tenant.

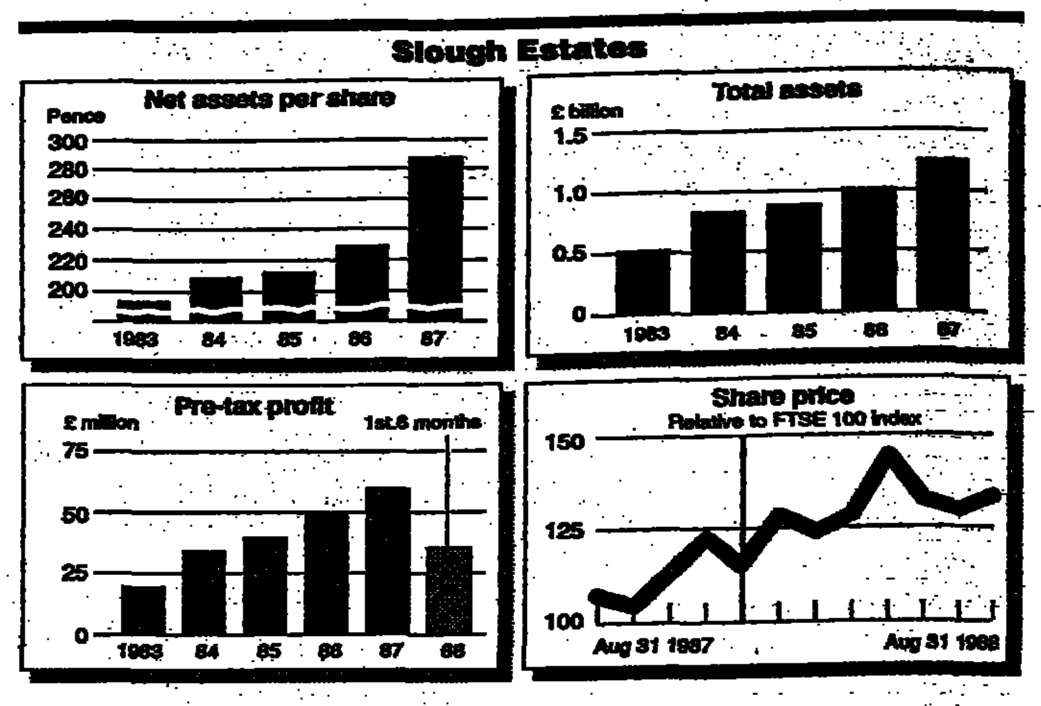
All these factors suggest a degree of caution about the medium term. But Slough Estates is well protected against any downturn compared with most developers. The size of its property holdings means that it does not have to engage in a frantic search for sites. If it wishes, the group can confine itself to a rolling programme of redevelopment within its existing portfolio.

Its development programme is organised in phases. Actual commitments run about 18 months ahead, so that if there is any market downturn, the next phase can be delayed. The total development programme, including its share of the town centre retail projects of 52 per cent-owned Bredero Properties, will cost about £550m. Of that rather less than £100m will be spent overseas, while a further £100m has been committed in Britain over the next 18 months.

Financial needs over the next 18 months are largely covered. There was a £150m Euro-convertible issue last May and the effect of that capital-raising, added to what was in the bank, means that Slough Estates is sitting on a cash pile of £160m. The immediate impact of higher interest rates is therefore to increase its revenue. But over the last six months, says Sir Nigel, "we have been fixing interest rates where we had variable rates; 90 per cent of our net debt is already fixed and we have a chunk of cash. For the short term we are not exposed."

The variable element that remains is largely overseas. Slough Estates has a portfolio of property and financial interests in Canada, the US, Australia, Belgium, France and Germany. The overseas portion of its assets accounted for about a third of the total 15 years ago. Now it accounts for 20 per cent, a reduction which is explained not so much by a running down of foreign interests as by the relativity of UK and foreign values and by exchange rate factors. The development programme abroad is, in fact, more extensive in square footage terms than that in Britain.

Here then is a cushion of protection against problems in Britain. The aggregate value of all Slough Estates properties, home and abroad, at the end of 1987 was £1.1bn. Net assets per share were 287p. This asset value is now certainly understated. Slough Estates itself *does not know the exact figure*, but with the rise in rents helping to push up capital values in Britain, City estimates run from 340p up to about 390p. Whatever the figure, the shares are trading on a considerable discount.



CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention fears halt dollar

THE DOLLAR failed to build on Wednesday's rise to a ten-month high against the yen, amid growing concern that the Bank of Japan will intervene to support the yen.

Conflicting statements by Japanese officials added to the mood of uncertainty. Mr Kiichi Miyazawa, Japan's Finance Minister, stated that the market would be allowed to set its own exchange rates, and the present currency conditions were not regarded as volatile.

However, this was quickly followed by comments from a spokesman at the Bank of Japan, suggesting that a continued yen depreciation would trigger central bank intervention.

Dealers pointed out that the yen/dollar rate spread - as agreed at the Louvre Accord - was probably in the region of Y125 to Y140, and that if strong resistance were broken at Y138, then the Bank of Japan was most likely to lend support.

Against this background, many short-term investors were content to remain on the sidelines ahead of today's release of US employment figures for August, and the closure of US markets on Monday for a public holiday.

The dollar closed at Y136.40, barely changed from Y136.58 on Wednesday. It was a little lower against the D-Mark at DM1.8740 from DM1.8775, and finished elsewhere at SFr1.5815 from SFr1.5850 and FFr6.3700 compared with FFr6.3775. On Bank of England figures, the dollar's exchange rate index finished at 100.3 from 100.2.

Sterling weakend sharply in the late afternoon, prompting intervention by the Bank of England. The pound's exchange rate index opened unchanged from Wednesday's close at 75.8, and was the same at 3pm, before slipping away to finish at the day's low of 75.5.

The sharp fall towards the close was probably the result of a large selling order out of New York, in an otherwise thin market. Dealers agreed that there is currently a dearth of economic data to influence the market, and given the relatively low volume, exchange rate movements are more likely to be influenced by comparatively modest market orders.

Nevertheless the weaker tone brought the Bank of England into the market in order to control the fall. Even so, the pound slipped to $1.6735 from $1.6840 against the dollar, and finished at its worst level since mid-July in D-Mark terms at DM3.1350 from DM3.1625. It was also weaker against the yen at Y228.25 from Y229.75. Elsewhere it finished at SFr2.6475 from SFr2.6700 and FFr10.6600 compared with FFr10.7400.

In Frankfurt, the Bundesbank's determination to defend the D-Mark, and the prospect of central bank intervention by the Bank of Japan, combined to leave the dollar on a weaker note. The US unit eased to DM1.8780 at the close, compared with DM1.8795 on Wednesday.

The French franc was slightly easier against the D-Mark in Paris. The West German unit was fixed at FFr3.3951 up from FFr3.3937 on Wednesday. Once again trading volume was relatively light ahead of today's US employment figures.

Average rates for August against the US dollar were: DM1.8887; Y133.73; $1.6977 and FFr6.3933.

£ IN NEW YORK

Sept.1	Latest	Previous Close
£ Spot	1.6740-1.6750	1.6840-1.6850
1 month	0.52-0.51pm	0.53-0.51pm
3 months	1.53-1.51pm	1.55-1.52pm
12 months	4.47-4.42pm	4.50-4.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept.1	Previous
8.30 am	75.8	75.8
9.00 am	75.8	75.9
10.00 am	75.8	75.8
11.00 am	75.7	75.7
Noon	75.8	75.7
1.00 pm	75.8	75.7
2.00 pm	75.8	75.8
3.00 pm	75.8	75.7
4.00 pm	75.5	75.8

CURRENCY RATES

Sept.1	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.766090	0.657514
U.S Dollar	6.50	1.28818	1.10482
Canadian $	8.75	1.59709	1.36799
Austrian Sch.	4	16.9937	14.6046
Belgian Franc	7	50.6448	43.5161
Danish Krone	7½	8.91678	7.97350
Deutsche Mark	3½	2.41508	2.07508
Neth.Guilder	4	2.72772	2.34322
French Franc	9½	8.19927	7.04567
Italian Lira	12½	1793.15	1542.61
Japanese Yen	2½	173.904	150.885
Norway Krone	8	8.91678	7.66359
Spanish Peseta	-	159.747	137.097
Swedish Krona	8½	8.34547	7.16698
Swiss Franc	2½	2.03854	1.75114
Greek Drach.	20½	195.166	167.712
Irish Punt	[illegible]	N/A	0.774878

*All SDR rates are for Aug.31

CURRENCY MOVEMENTS

Sept.1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	75.5	-16.5
U.S. Dollar	100.3	-7.9
Canadian Dollar	83.7	-4.2
Austrian Schilling	134.0	+9.9
Belgian Franc	97.9	-6.0
Danish Krone	81.8	+0.0
Deutsche Mark	132.4	+20.9
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) [illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept.1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5161	+2.49	+0.98	±1.5344
Danish Krone	7.85212	7.97350	+1.55	+0.04	±1.5404
German D-Mark	2.05853	2.07508	+0.80	-0.71	±1.0981
French Franc	6.90403	7.04567	+2.05	+0.54	±1.3674
Dutch Guilder	2.31943	2.34322	+1.03	-0.48	±1.5012
Irish Punt	0.768411	0.774878	+0.84	-0.67	±1.6684
Italian Lira	1483.58	1542.61	+3.98	+3.10	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Sept.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6720-1.6835	1.6730-1.6740	0.53-0.50cpm	3.69	1.53-1.49pm	3.60
Canada	2.0680-2.0845	2.0700-2.0710	0.43-0.33cpm	2.20	1.07-0.95pm	1.95
Netherlands	3.53¼-3.54¾	3.53¾-3.54¾	2-1¾cpm	6.56	6-5¾pm	6.35
Belgium	65.70-66.35	65.70-65.80	36-20cpm	5.11	89-70pm	4.84
Denmark	12.05-12.15¾	12.05-12.06	4¾-3½orepm	4.11	12-11pm	3.82
Ireland	1.1730-1.1810	1.1750-1.1760	0.46-0.41cpm	4.44	1.28-1.18pm	4.19
W. Germany	3.13¾-3.16	3.13¼-3.13¾	2-1¾pfpm	7.42	5½-5¼pm	6.86
Portugal	257.55-259.80	257.60-258.60	par-42cdis	-0.98	2-95dis	-0.75
Spain	207.70-208.95	207.70-208.00	40-26cpm	1.91	104-87pm	1.84
Italy	2335½-2351	2335½-2336½	5-1lirepm	4.11	10-5pm	1.28
Norway	11.59¾-11.66¼	11.59¾-11.60¾	¼-1oredis	-0.65	2½-3½dis	-1.01
France	10.64¼-10.72¾	10.65½-10.66½	4-3½cpm	4.22	11½-10⅝pm	4.15
Sweden	10.84-10.90½	10.84-10.85	1⅝-1¼orepm	-1.59	5¼-4¼pm	1.78
Japan	227¾-229¾	227¾-228¾	1½-1¼ypm	7.23	4¼-4pm	7.23
Austria	22.09-22.23	22.09-22.12	13¾-12¼gropm	6.92	38¾-35⅝pm	6.67
Switzerland	2.64¼-2.66½	2.64¾-2.65¾	2-1¾cpm	7.37	5½-5¾pm	8.22

Belgian rate is convertible francs, Financial franc 66.65-66.75. Six-month forward dollar 2.57-2.52cpm 12 months 4.46-4.39cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sept.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6720-1.6835	1.6730-1.6740	0.53-0.50cpm	3.69	1.53-1.49pm	3.60
Ireland†	1.4230-1.4285	1.4275-1.4285	0.16-0.21cdis	-1.56	0.45-0.55dis	-1.40
Canada	1.2360-1.2395	1.2365-1.2375	0.14-0.17cdis	-1.50	0.50-0.53dis	-1.66
Netherlands	2.1135-2.1265	2.1165-2.1175	0.52-0.50cpm	2.88	1.54-1.51pm	2.87
Belgium	39.25-39.45	39.25-39.35	5.50-3.50cpm	1.65	13.50-9.50pm	1.17
Denmark	7.20-7.22¾	7.20-7.20½	0.30dis-par	-0.25	0.40-0.10pm	0.14
W. Germany	1.8720-1.8815	1.8735-1.8745	0.53-0.50pfpm	3.29	1.58-1.53pm	3.31
Portugal	154¼-154½	154¼-154½	50-70cdis	-4.67	145-195dis	-4.41
Spain	123.65-124.50	124.40-124.50	16-26cdis	-2.03	58-68dis	-2.03
Italy	1393-1399¾	1395¾-1396¼	2.00-3.00liredis	-2.14	7.50-9.50dis	-2.43
Norway	6.91¼-6.94¾	6.93-6.93½	2.40-2.55oredis	-4.28	8.00-8.20dis	-4.67
France	6.36¼-6.38¾	6.36¾-6.37¼	0.40-0.30cpm	0.66	0.95-0.75pm	0.53
Sweden	6.47¾-6.49¾	6.47¾-6.48¼	1.10-1.20oredis	-2.13	3.00-3.25dis	-1.93
Japan	136.20-137.05	136.35-136.45	0.39-0.36ypm	3.29	1.21-1.18pm	3.50
Austria	13.19¾-13.22½	13.21½-13.22	3.80-3.40gropm	3.27	10.50-9.50pm	3.03
Switzerland	1.5790-1.5870	1.5810-1.5820	0.64-0.60cpm	4.70	1.87-1.82pm	4.66

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.80-39.90.

EURO-CURRENCY INTEREST RATES

Sept.1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11¾-11⅝	11⅞-11⅞	12⅛-12⅛	12⅜-12¼	12⅝-12⅛	12¾-12⅝
US Dollar	7⅞-7⅞	8⅛-8¼	8⅜-8¼	8⅝-8½	9-8⅞	9¼-9⅛
Can. Dollar	9¼-9	9½-9¼	9⅞-9⅞	10¼-10	10¾-10½	10⅞-10⅝
D. Guilder	5¼-5	5¼-5	5⅝-5⅜	5⅝-5⅜	5⅞-5⅝	5⅞-5⅝
Sw. Franc	3¾-3½	3¾-3½	3⅞-3⅝	3⅞-3¾	4⅛-4⅛	4¼-4⅛
Deutschmark	5-4¾	4⅞-4¾	5⅛-4⅞	5⅜-5⅛	5⅝-5⅜	5⅞-5⅝
Fr. Franc	7⅛-7⅞	7⅞-7⅞	7⅞-7⅞	8⅛-8	8⅜-8⅛	8⅝-8⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Several factors depress gilts

LONG GILT futures touched a new trading low of 93-04 for December delivery on Liffe yesterday, before closing at 93-06, compared with 93-08 on Wednesday.

The contract fell back from a peak of 93-20, and dealers said there was some concern that long gilt futures have hit new trading lows on the last ten consecutive trading days.

Several other factors tended to jangle market nerves, including the sudden weakening of sterling in late trading, as the result of a large selling order out of New York.

This pushed the pound's exchange rate index down to 75.5 at the close, bringing it closer to an important technical resistance point of 74.8, going back to October of last year.

There were also rumours of strong growth in sterling M0 money supply. The latest banking returns point to a weekly rise of 0.7 p.c., suggesting year-on-year growth of 7.7 p.c., against a Government target of 1-5 p.c.

Dealers said the market was unnerved by these factors, and that this led to the fizzling out of a potential bear squeeze.

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE FT-SE INDEX FUTURES OPTIONS / LIFFE £/$ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING / PHILADELPHIA SE £/$ OPTIONS / LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE) / CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

MONEY MARKETS

Rates nudge higher

RATES TENDED to nudge higher on the London money market, on continued nervousness about sterling. Three-month interbank rose to 12⅛-12⅛ p.c. from 12⅞-12¾ p.c., but trading was generally quiet.

The Bank of England initially forecast a flat credit position in the money market, but revised this to a surplus of around £200m in the afternoon. The authorities did not intervene in the market before lunch but in the afternoon absorbed part of the surplus by selling £158m Treasury bills, due today, at rates of 10⅞-11⅞ p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £628m, with a rise in the note circulation absorbing £45m, and bank balances below target £70m. These factors were roughly balanced by Exchequer transactions adding £765m to liquidity.

In Frankfurt credit conditions were tighter, with call money rising to 4.75 p.c. from 4.00 p.c., but the upward move was regarded as technical, and dealers believed that the call rate should remain below the Lombard emergency borrowing rate of 5 p.c.

The Bundesbank allocated DM26.5bn in a two tranche facility, at this week's securities repurchase tender, against an expiring facility of DM24.2bn.

The central bank accepted bids of DM14.6bn for a 34-day pact, at a fixed rate of 4.25 p.c., and DM11.9bn for a 62-day agreement at rates from 4.50 p.c. to 5.15 p.c.

Dealers appeared to be generally satisfied with the allocation, and pointed out that the average rate on the 62-day tranche averaged about 4.70 p.c., which is below the cost of 4.90 p.c. for two-month domestic funds on the money market.

Traders believe that the Bundesbank does not intend to let call money rise to the Lombard rate, and has no need to push short-term rates higher. This follows a slow down of M3 monetary growth to 6.7 p.c., in the June to July period, from 7.4 p.c. in May to June.

A recovery of the D-Mark against the dollar has also tended to reduce upward pressure on rates.

In New York the Federal Reserve surprised the market by adding $1.5bn of reserves to the banking system, via customer repurchase agreements. The Fed entered the market when Federal funds were trading at 8¼ p.c. It was the first intervention since August 24.

UK clearing bank base lending rate 12 per cent from August 25 & 26

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]								
PHILIPS C	Fl. 35	124	0 60 B	133	1 70	53	2 40	Fl. 31 90
PHILIPS P	Fl. 40	-	-	-	-	373	9 40	Fl. 31 90
ROYAL DUTCH C	Fl. 240	297	1.60	27	5	33	7 70	Fl. 226 20
ROYAL DUTCH P	Fl. 230	98	10	180	12.50	9	13.50 B	Fl. 226 20
ROBECO P	Fl. 90	50	2	-	-	-	-	Fl. 91 40
UNILEVER C	Fl. 120	696	1	97	3.30	2	5	Fl. 108.50
UNILEVER P	Fl. 100	92	1.10	433	3.20	5	4 80	Fl. 108 50
WESSANEN P	Fl. 70	-	-	15	2 60	-	-	Fl. 72.50

TOTAL VOLUME IN CONTRACTS : 17,735

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	12	Clydesdale Bank	12	Northern Bank Ltd	12
AAB - Allied Arab Bk	12	Comm.Bk.N.East	12	Norwich Gen. Trust	12
Allied Irish Bank	12	Co-operative Bank	*12	PRIVATbanken Limited	12
● Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	13
ANZ Banking Group	12	Cyprus Popular Bk	12	R. Raphael & Sons	12
Associates Cap Corp	10	Dunbar Bank PLC	12	Roxburghe G'rantee	11½
Authority Bank	12	Duncan Lawrie	12	Royal Bk of Scotland	12
● B & C Merchant Bank	12	Equatorial Bank plc	12	Royal Trust Bank	12
Banco de Bilbao	12	Exeter Trust Ltd	12½	● Smith & Willmsn Secs.	12
Bank Hapoalim	12	Financial & Gen. Bank	12	Standard Chartered	12
Bank Leumi (UK)	11	First National Bank Plc	13	TSB	12
Bank Credit & Comm	12	● Robert Fleming & Co.	12	UDT Mortgage Exp	‡11.45
Bank of Cyprus	12	Robert Fraser & Ptrs.	12½	United Bk of Kuwait	12
Bank of Ireland	12	Girobank	12	United Mizrahi Bank	12
Bank of India	12	● Guinness Mahon	12	Unity Trust Bank Plc	12
Bank of Scotland	12	HFC Bank plc	12	Western Trust	12
Banque Belge Ltd	12	● Hambros Bank	12	Westpac Bank Corp.	12
Barclays Bank	12	Heritable & Gen Inv Bk	12	Whiteaway Laidlaw	12½
Benchmark Bank PLC	12	● Hill Samuel	§12	Yorkshire Bank	12
Berliner Bank AG	12	C. Hoare & Co.	12		
Brit Bk of Mid East	12	Hongkong & Shangh	12		
● Brown Shipley	12	● Leopold Joseph & Sons	12		
Business Mtge Tst	12½	Lloyds Bank	12		
CL Bank Nederland	12	Meghraj Bank Ltd	12		
Central Capital	12	Midland Bank	12		
● Charterhouse Bank	12	Mount Bnkg Corp.	12		
Citibank NA	12	Nat Bk. of Kuwait	12		

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 01-248 4400

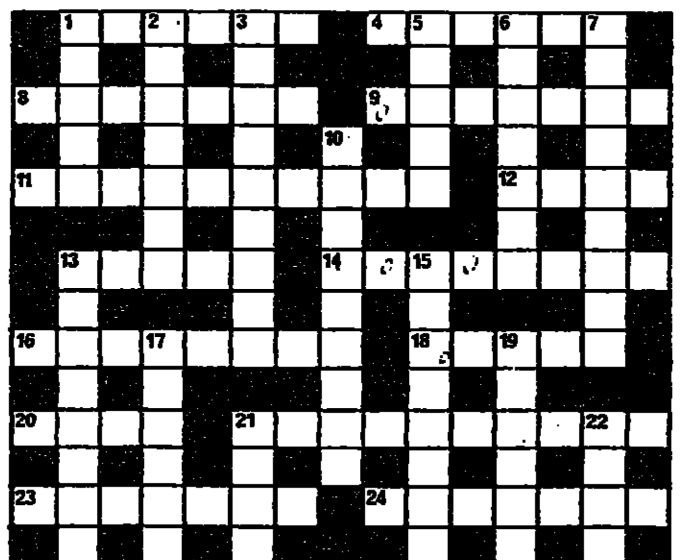
Brewin Capital	5½	172.7	183.6	195.3	1.61
Brewin Dividend	5½	91.83	96.26	102.4	6.10
Brewin Int Gth Inc	5½	199.6	209.3	222.6	3.68

[illegible]

JOTTER PAD

CROSSWORD

No. 6,723 Set by DINMUTZ



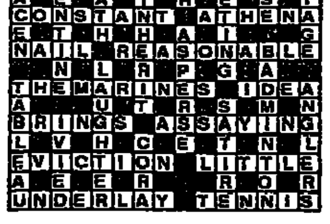
ACROSS

1 Lesser Greek river bird (6)
4 Hermitage, for example, to employ mother outside (6)
8 Pâtés for sumptuous meals (7)
9 Tower of strength in the galleries (3-4)
11 Regionally distributed flower (6-4)
12 Highest position of showy violinist (4)
13 Fast horse taking day off from Redcar excitement (5)
14 Well-known climber, I scale Mt Tumbledown (8)
16 Pitman, sick inside, became a fancy-goods dealer (8)
18 Money reported in hiding-place (5)
20 Silver-headed constable, say, in the city (4)
21 Taller coal-scuttle is contemporary (10)
23 Hyde-bound, you say? Change up-train! (7)
24 Wasting an award (7)
25 Get into middle gear (6)
26 Boxes at lightweight? (6)

DOWN

1 The sea-perch, an easy catch? (5)
2 Pacific-like from cocaine extract (7)
3 Warbler whose lakeside habitat withered? (5-4)
5 Body of soldiers takes a year to make agreement (5)
6 Great stores of rope? Aim for fresh order (7)
7 Fellow to court girl with this instrument? (9)
10 Inclinometer made by Dawkins & Co? (3-6)
13 Reading between the lines (4-5)
15 One spelling Shelley's exorciser of ghosts? (9)
17 Extra premium required for dockers' work (7)
19 Smoke for Victor in bed (7)
21 Cheer-leaders song for Windsor, for example (5)
22 Blackfly in sorry mishap loses head (5)

Solution to Puzzle No.6,722



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GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation:

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Life Pen Tst Man Co Ltd (1000)H						
99-101 London Rd, Sevenoaks 0732 450161						
Equity Dist	5	312.6	317.3	336.8	-4.7	3.11
Equity Acc	5	401.3	407.3	431.0	-5.7	3.11
Fixed Int Dist	5	114.5	116.6	120.8	-0.2	9.25
Fixed Int Acc	5	203.1	206.6	214.1	-0.3	9.25
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	97.52	97.52	103.65	-0.41	2.20
Do Accum	5	104.67	104.67	111.23	-0.44	2.20
TSB Brit Growth	5	52.04	52.04	55.36	-0.86	3.25
Do Accum	5	53.72	53.72	57.15	-0.88	3.25
TSB European	5	48.25	48.25	51.33	-0.12	1.20
Do Accum	5	49.57	49.57	52.73	-0.13	1.20
TSB Extra Income	5	141.02	142.87	151.99	-1.14	5.92
Do Accum	5	182.02	184.42	196.19	-1.47	5.92
TSB Smaller Cos	5	51.38	53.20	56.60	-0.39	1.21
Do Accum	5	52.50	54.14	57.60	-0.41	1.21
TSB General	5	167.60	167.60	178.30	-2.81	3.52
Do Accum	5	290.11	290.11	308.63	-4.87	3.52
TSB Gilt & Fxd Int	3¼	46.52	46.52	48.11	-0.10	9.16
Do Accum	3¼	70.23	70.23	72.63	-0.16	9.16
TSB Income	5	249.27	249.27	265.18	-4.80	5.27
Do Accum	5	416.65	416.65	443.24	-8.03	5.27
TSB Pacific	5	197.85	197.91	210.54	-3.35	0.59
Do Accum	5	204.85	205.77	218.90	-3.46	0.59
TSB International	5	310.02	310.97	330.82	-3.58	1.06
Do Accum	5	389.98	391.17	416.14	-4.50	1.06
TSB Nat Resources	5	60.84	61.35	65.27	-0.60	1.40
Do Accum	5	63.95	64.48	68.60	-0.60	1.40
TSB Slctd Opps	5	76.81	76.81	81.71	-2.02	2.44
Do Accum	5	86.57	86.57	92.10	-2.27	2.44
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin. 0296 394000 Dealing. 01-379 0860						
American Eagle	5	61.50	61.50	65.79	-0.19	0.90
Australia	5	7.615	7.615	8.153	-0.29	0.10
Commodity	5	75.68	75.68	81.66	-0.91	0.61
Convertible	5	140.0	140.0xd	150.8	-0.7	5.07
Equity	5	143.1	143.1	154.0	-1.2	3.39

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd	382.3	402.5	......	-
Eb'r Ph Eq	344.2	366.6	......	-
Pension Plan Funds				
Phoenix				
UK Equity Acc	163.0	171.5	-1.3	-
International Acc	139.7	147.0	-0.5	-
Property Acc	144.5	152.1	+0.5	-
Fixed Interest Acc	153.4	161.4	+0.2	-
Money Acc	143.3	150.8	+0.1	-
Bldg. Soc Link Acc	140.2	147.5	+0.1	-
Special Mnged. Acc.0.	149.3	157.1	-0.6	-
Phoenix/Framlington				
Intnl. Growth Acc	86.80	91.30	-0.50	-
Am Smllr. Cos. Acc	87.50	92.10	----	-
Capital Tst Acc	171.3	180.3	-1.6	-
Japan & Gen Acc	182.7	192.3	-4.1	-
American Turn. Acc	96.60	101.6	+0.2	-
Recovery Tst Acc	174.4	183.5	-1.4	-
Special Mngd Acc	146.2	153.8	-1.1	-
Phoenix/GT				
International Acc	130.2	137.0	-0.6	-
US & General Acc	86.80	91.30	-0.20	-
Amer Spec Sits Acc	66.10	69.50	-	-
Japan & General Acc	187.0	196.8	-1.7	-
Far East & Gen. Acc	133.5	140.5	-2.1	-
UK Capital Acc	170.0	178.9	-2.2	-
European Acc	140.1	147.4	+0.5	-
Special Mngd. Acc	125.0	131.5	-0.9	-
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	256.7	270.3	----	-
Man Pens Inc & Cap Fds	323.8	340.9	----	-
Money Fund	113.9	119.9	----	-
Pens. Mngd Fd (Unit)	86.4	91.0	----	-
Pens Mngd Fd (Acc)	100.0	105.3	----	-
Pens FT30 Fd (Unit)	121.8	128.3	----	-
Pens FT30 Fd (Acc)	141.0	148.5	----	-
Pens O'seas MgFd(Unit)	59.2	62.4	----	-
Pens O'seas MgFd(Acc)	68.6	72.3	----	-
Pens Fxd Int Fd (Unit)	101.0	106.4	----	-
Pens Fxd Int Fd (Acc)	116.9	123.1	----	-
Pens Deposit Fd (Unit)	101.7	107.1	----	-
Pens Deposit Fd (Acc)	117.7	123.9	----	-
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn.				
William Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord	279.6	294.3	-0.4	-
Managed Init	230.7	242.8	-0.4	-
Equity Ord	388.5	408.9	-3.3	-
Equity Init	320.5	337.4	-2.6	-
Index Linked Gilt Ord	121.7	128.1	-0.3	-
Index Linked Gilt Init	104.8	110.3	-0.4	-
Overseas Equity Ord	249.1	262.2	-2.2	-
Overseas Equity Init	205.5	216.3	-1.9	-
Property Ord	171.8	180.8	+3.2	-
Property Init	141.7	149.2	+2.7	-
Fixed Interest Ord	167.1	175.9	+0.1	-
Fixed Interest Init	137.8	145.1	-	-
Deposit Ord	135.5	142.6	-	-
Deposit Init	111.8	117.7	-	-
Pension Funds				
Managed Ord	336.4	354.1	-0.8	-
Managed Init	277.5	292.1	-0.7	-
Equity Ord	484.5	510.0	-4.7	-
Equity Init	399.6	420.6	-4	-
Pen Ind Lkd Gilt Ord	131.2	138.1	-0.3	-
Pen Ind Lkd Gilt Init	113.0	118.9	-0.4	-
Overseas Equity Ord	280.9	295.7	-3.1	-
Overseas Equity Init	231.7	243.9	-2.6	-
Property Ord	201.1	211.7	+4.4	-
Property Init	165.9	174.6	+3.5	-
Fixed Interest Ord	189.3	199.3	+0.1	-
Fixed Interest Init	156.1	164.3	-	-
Deposit Ord	169.1	178.0	-	-
Deposit Init	139.5	146.8	-	-
For Provincial Life Ass Co Ltd see Prolific Life & Pensions Ltd				
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 01-405 9222				
Prufund				
Managed Aug 31	203.3	211.8	----	-
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Holborn Series I Life Funds				
Managed	431.9	454.7	-2.3	-
Equity	861.0	906.4	-4.8	-
Fixed Interest	367.5	386.9	-0.2	-
Property	352.4	371.0	+0.1	-
Cash	245.1	258.0	+0.1	-
International	297.0	312.7	-2.4	-
Holborn Series II Life Funds				
Managed	423.9	446.3	-2.3	

	Bid Price
Royal Heritage Life	
Akra Growth	
Do Inc	
Ascott Mngd Fund	
Ascott Inc Portfolio	
Mardsley Universal Mng	
H&B Mngd Portfolio	
NIC Mngd Bond	
South Yorks Mangt	
City Capital Bond	
Birchwood	
Slade Investments	
Flex. Inv. Planning	
Invest. Mktg. Services	
P W Intl. Portfolio	
Hardwick Inv Mngt	
The Ivy Growth Fd	
Baltic Prem Portfolio	
Clubond	
Sterling Cap Growth	
Connaught Swift Fund	
Redcliffe Inc & Gth	
Gibbs Hartley Mgd Ptfl	
Andrews Green Inv Ptfl	
Stoneleigh Inv Man Bd	
Chelsea Inv Port	
Derek Gardiner Mng	
GLJ Managed Fund	
PEP Inv Port	
Western Counties Mng	
Saunders French Gth	
Bibby & Co Mng Fd	
YRA Portfolio	
Private Portfolio Fd	
Fosters International	
Jordine Mng Gth Fd	
The Tutors Intnl Fd	
Griffin Intl Growth	
Minster Fund	
MI Fin Serv	
Richards. Longstaff	
Optimum PIP	
P.W. W'wide Ops.	
B P S Bond	
Knightsbridge Cap. Fd	
Campbell Coss Fd	
Stacey Chiltern Fd	
Ethical Invest Fd	
Spencer Hse MGD Fd	
H&B Computrust	
Southern Counties Mgd	
South Coast Enterprise	

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

حكتامن الأصل

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	83	Redemption 3pc 1986-96	99¼xd	.....	3.02	11.48
100¼	99	Treas. 9½pc '88	99	.....	9.54	11.86
102	99	Treas 11½pc 1989	99	+	11.52	11.71
101	98	Treas 9½pc Cnv 1989	98	.....	9.62	11.53
97	95	Treas 3pc 1989	96	-	3.12	8.93
102	99	Treas 10½pc 1989	99¼	+	10.58	11.52
102	98	Exch 10pc 1989	98	.....	10.12	11.42
103	99	Exch 11pc 1989	99xd	+	11.03	11.35
97	94	Treas 5pc 1986-89	94	-	5.28	10.04
104	98	Exch 10¼pcCv '89	99	+	10.34	11.01
107½	102	Treas 13pc 1990‡‡	102½	+	12.67	10.82
104¼	100	Exch 11pc 1990‡‡	100¼	+	10.97	10.74
107	102	Exch. 12½pc 1990	102xd	+	12.22	10.91
93	90	Treas. 3pc 1990	90	.....	3.31	9.10
99	95	Treas 8¼pc 1987-90‡‡	95	+	8.59	10.76
102	96	Treas. 8pc Cv 1990 ‡‡	96	.....	8.33	10.40
103	98	Treas. 10pcCv 1990	98	+	10.16	10.80
91	87	Exch 2½pc 1990	87	-	2.86	8.88
107	101	Treas 11¾pc 1991	101	+	11.53	10.76
95	90	Funding 5¾pc '87-91‡‡	90xd	-	6.63	10.08
90	86	Treas. 3pc 1991	86	.....	3.48	8.82
105	98	Treas 10pc Cv '91 ‡‡	98	.....	10.14	10.54
107	100	Exch. 11pc 1991	100	.....	10.91	10.65
98	92	Treas. 8pc 1991	92	.....	8.61	10.62
113	106	Treas 12¾pc 1992‡‡	106	+	12.02	10.54
104	98½	Treas 10pc 1992	98	+	10.15	10.49
98	92	Treas. 8pc 1992 ‡‡	92	+	8.65	10.53
106	99	Treas 10½pc Cv 1992‡‡	99	.....	10.52	10.53
86	82	Treas. 3pc 1992	82	-	3.64	8.56
112	105	Exch. 12¼pc '92	105	+	11.64	10.59
117	109	Exch 13½pc 1992	109xd	+	12.36	10.64
97	92	Treas 8¼pc 1993	92	.....	8.97	10.53
105	98	Treas 10pc 1993‡‡	98	+	10.19	10.50
115	107	Treas 12½pc 1993‡‡	107	+	11.63	10.48

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
93	88	Funding 6pc 1993‡‡	88xd	-	6.79	8.92
121	112½	Treas 13¾pc 1993‡‡	112½	+	12.22	10.55
101	91	Treas. 8½pc 1994	91	+	9.25	10.48
44	41	Tr8½pc1994 'A' (50% pd)	42	+	9.25	10.50
125	116	Treas 14½pc 1994‡‡	116	-	12.47	10.53
120	111	Exch 13½pc 1994	111	+	12.07	10.64
105	98	Treas. 10pc Ln. 1994‡‡	98	+	10.18	10.39
116	108	Exch. 12½pc 1994	108	.....	11.56	10.62
101	94	Treas 9pc 1994‡‡	94	+	9.57	10.29
114	106	Treas 12pc 1995	106	-	11.28	10.58
83½	78½	Exch 3pc Gas 90-95	81½	+	3.70	6.56
106	99	Exch. 10¼pc 1995	99	-	10.34	10.41
120	111	Treas 12¾pc 1995‡‡	111	.....	11.45	10.45
126	117	Treas. 14pc '96	117	.....	11.96	10.59
101	93	Treas. 9pc 1992-96‡‡	93xd	-	9.58	10.18
133	124	Treas 15¼pc 1996‡‡	124	-	12.28	10.55
123	114	Exch 13¼pc 1996‡‡	114	-	11.58	10.46
105	97	Conversion 10pc 1996	97	-	10.21	10.36
124	115	Treas 13¼pc 1997‡‡	115	-	11.48	10.43
108	100	Exch 10½pc 1997	100	-	10.43	10.36
98	91	Treas 8¾pc 1997‡‡	91xd	-	9.55	10.19
134	125	Exch 15pc 1997	125	-	11.97	10.59
104	96	Exch. 9¾pc 1998	96	-	10.08	10.29
87	81	Treas 6¾pc 1995-98‡‡	81	-	8.29	9.74
140	130	Treas. 15½pc '98‡‡	130xd	-	11.85	10.48
118	109	Exch. 12pc 1998	110	-	10.92	10.39
103	96	Treas 9½pc 1999‡‡	96	-	9.87	10.08
120	111	Exch. 12¼pc 1999	111xd	-	10.95	10.38
109	101	Treas. 10½pc 1999	101	-	10.35	10.27
107	99	Conversion 10¼pc 1999	100	-	10.27	10.26
100¼	86	Treas. 8½pc Ln 2000‡‡	89	-	9.46	10.01
99	93	Conversion 9pc 2000‡‡	93xd	-	9.67	10.03
126	117	Treas. 13pc 2000	117	-	11.05	10.37
106	99	Treas 10pc 2001	99	-	10.07	10.09
129	120	Treas. 14pc '98-01	120	-	11.61	10.55
104	97	Conversion 9¾pc 2001	97	-	9.97	10.05
118	109	Exch. 12pc '99-02	109	-	10.93	10.40
107	99	Conversion 10pc 2002	99	-	10.01	10.01
105	98	Treas 9¾pc 2002	98	-	9.92	9.97
99	92	Exch. 9pc 2002	93	-	9.66	9.90
131	122	Treas. 13¾pc 2000-03	122	-	11.23	10.41

Over Fifteen Years

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BRITISH FUNDS—Contd

Undated

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
44	41	Consols 4pc	42	-	9.44	-
39	37	War Loan 3½pc‡‡	37	-	9.30	-
53	48	Conv. 3½pc '61 Aft	53¼xd	+	6.57	-
33	30	Treas. 3pc '66 Aft	31xd	.....	9.51	-
28	26¼	Consols 2½pc	26xd	.....	9.37	-
28	26¼	Treas. 2½pc	26xd	.....	9.37	-

Index-Linked

1988 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
121	117½	Treas 2pc IL '90(84.6)	120½	-	1.37	3.28
103	99	Do. 2pc '92‡‡(97.8)	101xd	-	2.66	3.42
96	93	Do. 2 '94 (102.9)	93½	-	3.05	3.52
139¼	127	Do. 2pc '96(67.9)	136¼xd	-	3.18	3.52
114	103	Do 2½pc '01(78.3)	112xd	-	3.73	3.97
111	101	Do. 2½pc '03(78.8)	110	-	3.77	3.99
114	102½	Do. 2pc '06(69.5)	111	-	3.80	3.98
105	95	Do. 2½pc '09(78.8)	104	-	3.81	3.98
109	99	Do. 2½pc '11(74.6)	108	-	3.82	3.97
91	82	Do. 2½pc '13(89.2)	89	-	3.80	3.94
98¼	88	Do. 2½pc '16(81.6)	97	-	3.76	3.90
96	87¼	Do. 2½pc '20(83.0)	94½	-	3.72	3.85
81¼	75	Do. 2½pc '24‡‡(97.7)	79¼	-	3.69	3.81

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1987:103.3 and for July 1988:106.7

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
109	100	African Dv Bk 11¼Ln 2010	102¾	-	10.83	10.78
104	96	Asian Dev Bk 10¼pcLn2009	98½	+	10.39	10.41
129	120	Australia 13½pc 2010	123	+	10.93	10.69
112	103¼	Do. 11¾pcLn2015	107	+	10.63	10.58
110	103	Euro Inv Bk 11pc Ln 2002	104	+	10.55	10.42

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CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
28⅝	19⅞	Texaco $6.25	27⅛	+⅛	♦$3.00	–	6.5
60⅛	43⅛	Time Inc. $1	56⅞xd	+⅞	$1.00	–	1.0
20⅛	15⅞	Transamerica $1	20½xd	+½	$1.84	–	5.3
20⅛	14½	TRINOVA Corp.	15xd	–⅛	64c	–	2.5
19	15⅛	USX $1	16⅞	+⅛	$1.20	–	4.2
23	17⅛	Utd. Technologies	21⅞xd	+⅛	$1.60	–	4.3
33½	26⅛	US West‖	32½	....	$3.52	–	6.4
21⅞	16⅞	Waste Management $1	21⅞xd	+⅞	48c	–	1.3
16⅞	12⅞	Whirlpool $1	14⅛	....	$1.10	–	4.4
32⅞	18⅛	♥Woolworth $3½	29⅞	+⅛	$1.64	–	3.3

CANADIANS

1988 High	Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‖	205p	–5	–	–	–
32p	11p	♥Abbot Energy Corp	13½p	.....	–	–	–
14⅛	990p	♥Amer. Barrick Res	10½	+⅛	–	–	–
10p	3½p	American Lightwave	3⅞p	....	–	–	–
47p	15p	♥Armeno	15p	–3¼	–	–	–
76p	45p	Augmitto Expln	53p	–3½	–	–	–
13⅞	10⅞	Bk. Montreal ‖	13⅛	+⅛	$2.00	–	7.4
697p	514p	Bk. Nova Scot ‖	673p	+19	76c	–	5.5
18⅛	15⅛	BCE ‖	17⅛xd	.....	$2.44	–	6.7
716p	591p	♥Bow Valley‖	655p	+7	♦40c	–	3.0
13⅞	10½	♥Brascan‖	11⅛	–1	88c	–	3.8
328p	189p	♥Breakwater Res.	229p	+1	10c	–	2.1
11⅛	801p	Can.Imp Bank‖	11⅞	+⅛	$1.16	–	4.9
11½	841p	Can. Pacific ‖	10	–⅛	60c	–	2.9
41½	40	Do 4pc Deb £100	40½	....	4%	–	9.9
515p	362p	Central Capital "A" ‖	475p	+1	–	–	–
485p	440p	♥Corona Corp	445p	+1	–	–	–
886p	288p	Cons. TVX Min	343p	–11	–	–	–
361p	76p	Danbus Res	355p	+3	–	–	–
686p	430p	Derlan Inds	576p	.....	11.75c	–	1.0
14⅛	984p	♥Echo Bay Mines	10⅛	.....	$0.07	–	0.4
40p	25½p	Energex Minerals	25½p	.....	–	–	–
125p	83p	Euro-Asia Capital Ltd	103p	.....	–	–	–
386p	222p	♥Galactic Resources	288p	+1	–	–	–
125p	90¼p	♥Geodome Res.	103p	.....	–	–	–
394p	196p	Granges Expln‖	217p	+1	–	–	–
17p	8½p	♥Gt Pacific Res.	8⅝p	+⅛	–	–	–
903p	652p	♥Gulf Canada‖	849p	.....	52c	–	3.0
12⅛	816p	♥Hawker Sid Can‖	11	–⅛	$1.08	–	4.8
590p	344p	Henlys Group	433p	+3	–	–	–
957p	785p	♥Hudson's Bay ‖	902p	–4	60c	–	3.2
28	22⅞	♥Imperial Oil‖	25⅛	+⅛	$1.80	–	3.4
20⅞	10⅛	Inco‖	17½	–⅛	US$0.80	–	2.7
718p	462p	♥Inland Nat. Gas $1	553p	–5	60c	–	5.3
250p	150p	Madeleine Mines	191p	–3	–	–	–
207p	126p	♥Muscocho Expln	193p	+1	–	–	–
187p	75p	♥Nu-l Business Syst.‖	78p	–12	–	–	–
245p	110p	♥Nevada Goldfields	192p	.....	–	–	–
12	787p	♥Rio Algom	10⅛	+⅛	$1.30	–	6.1
16⅜	11½	Royal Bk Can. ‖	15⅞	+½	$2.08	–	6.4
34⅞	26⅛	Seagram‖	31½	.....	US$1.20	–	2.2
361p	167¼p	♥Sonora Gold Corp‖	168½p	+1½	–	–	–
121p	18p	Spiral Eng.	116p	+1	–	–	–
150p	35p	Tam Pure Tech Corp ‖	123p	–4	–	–	–
16⅛	11⅛	Toronto-Dom Bk.‖	16⅛	+⅝	$1.12	–	3.3
64p	14p	♥Trans Atlantic Res ‖	19p	–2	–	–	–
684p	566p	♥Trans Can Pipe.	612p	.....	68c	–	5.4
205p	127p	Varity Corp‖	168p	+2	8	–	–

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FIN. AND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	70	-1
Craig & Rose £1 ... γ	690	......
Finlay Pkg. 5p ... γ	88	......
Holt (Jos) 25p ... γ	£11¼	......

IRISH

Nat. 9¾% 84/89 ..	£100¼	......
9pc Cap Ln. 1996 ..	£99½	......
Fin. 13% 97/02 ..	£119	......

Arnotts ... γ	365	......
Carrol Inds ... γ	154	-1
Grafton Grp ... γ	128	......
Hall (R. & H.) ...	150	......
Helton Hldgs ... γ	53	-2
Irish Ropes ... γ	163xd	......

For Unidare see Electricals

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	38
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Brit Land	30
Land Securities	52
MEPC	52
Peachey	58

Oils

Brit. Gas	15
Brit Petroleum	24
Burmah Oil	58
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday September 1 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Aug 31 Index No.	Tue Aug 30 Index No.	Fri Aug 26 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (210)	745.18	-1.9	10.85	4.30	11.42	17.16	759.34	757.54	771.61	958.98
2 Building Materials (29)	942.05	-2.0	12.14	4.52	10.11	21.41	961.66	952.54	973.98	1204.35
3 Contracting, Construction (37)	1478.49	-2.0	11.34	3.64	11.50	27.59	1509.33	1504.82	1535.79	1711.26
4 Electricals (12)	2053.59	-1.4	9.12	4.89	13.49	49.65	2081.72	2070.37	2095.48	2476.85
5 Electronics (31)	1624.51	-2.2	10.63	3.72	12.08	40.30	1660.58	1660.83	1678.44	2022.32
6 Mechanical Engineering (57)	394.99	-1.5	10.38	4.42	11.92	9.23	401.15	399.68	408.07	520.71
8 Metals and Metal Forming (7)	444.19	-1.4	10.62	4.27	11.65	7.95	450.58	452.92	465.52	570.33
9 Motors (14)	259.47	-1.9	12.54	5.07	9.20	6.62	264.48	263.89	270.74	385.50
10 Other Industrial Materials (23)	1218.95	-1.7	9.65	4.70	12.40	28.49	1239.93	1244.51	1266.88	1655.21
21 CONSUMER GROUP (185)	1019.23	-1.5	9.71	3.89	13.01	19.26	1035.22	1036.45	1051.67	1303.24
22 Brewers and Distillers (21)	1057.75	-1.3	11.04	3.85	11.41	20.84	1071.55	1069.21	1083.01	1167.28
25 Food Manufacturing (21)	918.87	-1.8	9.53	4.03	13.38	17.95	935.34	935.77	946.22	1008.18
26 Food Retailing (16)	1865.44	-1.7	9.28	3.57	14.22	38.49	1897.09	1907.42	1926.96	2407.59
27 Health and Household (12)	1764.95	-0.8	7.06	2.78	16.44	18.01	1778.84	1777.65	1784.23	2465.51
29 Leisure (30)	1268.75	-1.9	9.75	4.02	13.16	28.32	1293.16	1291.12	1316.48	1375.14
31 Packaging & Paper (17)	486.34	-0.5	10.11	4.20	12.69	9.98	488.74	488.03	500.15	683.27
32 Publishing & Printing (18)	3271.92	-1.6	8.73	4.67	14.38	73.53	3326.19	3311.19	3387.42	4716.67
34 Stores (34)	729.13	-2.2	11.39	4.54	11.55	15.08	745.26	752.38	769.66	1065.07
35 Textiles (16)	537.09	-2.1	12.87	5.08	9.12	12.65	548.61	545.99	562.01	819.49
40 OTHER GROUPS (93)	855.67	-1.1	11.64	4.61	10.50	19.92	865.38	864.97	871.85	1130.69
41 Agencies (19)	1041.97	-1.2	8.70	2.62	14.53	18.11	1055.02	1055.85	1062.74	1694.57
42 Chemicals (21)	1014.45	-0.7	12.59	5.01	9.53	35.79	1021.57	1019.25	1022.43	1464.72
43 Conglomerates (13)	1159.81	-0.6	11.00	4.66	10.49	22.91	1166.27	1159.60	1179.98	1442.52
45 Shipping and Transport (12)	1826.67	-1.5	11.80	4.92	11.22	34.38	1854.07	1859.62	1880.27	2248.78
47 Telephone Networks (2)	904.43	-1.5	12.28	4.92	10.56	20.38	918.62	920.72	925.97	1077.40
48 Miscellaneous (26)	1180.54	-1.3	11.60	4.39	9.86	24.64	1195.75	1196.46	1202.34	1657.68
49 INDUSTRIAL GROUP (488)	915.06	-1.5	10.55	4.20	11.79	19.41	929.12	928.92	941.80	1182.34
51 Oil & Gas (12)	1695.91	-0.5	11.14	6.37	11.52	64.62	1703.95	1707.33	1717.99	2242.99
59 500 SHARE INDEX (500)	981.32	-1.4	10.63	4.50	11.75	23.20	994.95	995.03	1007.78	1272.39
61 FINANCIAL GROUP (122)	657.71	-1.5	-	5.33	-	18.46	667.58	665.93	670.52	818.98
62 Banks (8)	638.57	-1.4	22.70	6.92	5.91	25.83	639.71	638.21	637.91	817.03
65 Insurance (Life) (8)	977.63	-1.9	-	5.18	-	24.97	996.80	1003.75	1010.77	1106.87
66 Insurance (Composite) (7)	514.76	-1.1	-	6.07	-	15.67	520.47	521.70	526.38	620.09
67 Insurance (Brokers) (7)	921.33	-2.2	10.45	6.91	12.36	31.74	941.75	935.14	951.90	1244.58
68 Merchant Banks (11)	328.57	-2.1	-	4.36	-	7.08	335.57	335.28	341.09	492.80
69 Property (51)	1139.86	-1.2	5.79	2.86	22.12	15.18	1153.97	1140.42	1152.59	1259.29
70 Other Financial (30)	353.89	-1.8	11.07	5.51	11.35	9.54	360.46	360.76	363.96	558.22
71 Investment Trusts (78)	871.89	-1.5	-	3.23	-	13.49	885.31	886.27	894.65	1131.73
81 Mining Finance (2)	500.51	-2.2	9.57	3.76	11.81	8.12	511.84	518.03	521.99	677.92
91 Overseas Traders (8)	1126.79	-0.8	10.21	4.96	11.50	35.31	1135.50	1134.69	1145.86	1215.58
99 ALL-SHARE INDEX (710)	898.42	-1.4	-	4.58	-	21.56	911.17	911.07	921.68	1156.56

	Index No.	Day's Change	Day's High	Day's Low	Aug 31	Aug 30	Aug 26	Aug 25	Aug 24	Year ago
FT-SE 100 SHARE INDEX ‡	1730.5	-23.1	1743.9	1729.8	1753.6	1754.8	1770.7	1788.2	1819.2	2268.1

FIXED INTEREST

PRICE INDICES	Thu Sep 1	Day's change %	Wed Aug 31	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	118.83	+0.07	118.79	0.83	7.93
2 5-15 years	133.50	-0.08	133.60	-	9.34
3 Over 15 years	143.97	-0.07	144.60	0.53	9.30
4 Irredeemables	161.96	-0.09	162.46	0.35	8.84
5 All stocks	131.35	-0.03	131.49	0.09	8.91
Index-Linked					
6 5 years	126.07	-0.17	126.27	-	1.81
7 Over 5 years	119.99	-0.19	120.21	-	2.43
8 All stocks	120.31	-0.19	120.54	-	2.37
9 Debentures & Loans	115.85	-0.16	116.04	-	7.11
10 Preference	90.06	-0.16	90.20	-	3.61

AVERAGE GROSS REDEMPTION YIELDS		Thu Sep 1	Wed Aug 31	Year ago (approx.)
British Government				
1 Low	5 years	10.13	10.12	9.49
2 Coupons	15 years	9.72	9.70	9.78
3	25 years	9.40	9.38	9.63
4 Medium	5 years	10.49	10.50	10.27
5 Coupons	15 years	9.96	9.93	10.03
6	25 years	9.66	9.63	9.85
7 High	5 years	10.63	10.64	10.34
8 Coupons	15 years	10.09	10.07	10.22
9	25 years	9.65	9.62	9.86
10 Irredeemables	†	10.01	10.03	9.74
Index-Linked				
11 Inflation rate 5%	5yrs.	3.39	3.32	3.34
12 Inflation rate 5%	Over 5 yrs.	3.91	3.89	3.99
13 Inflation rate 10%	5 yrs.	2.32	2.24	3.25
14 Inflation rate 10%	Over 5 yrs.	3.74	3.72	3.98
15 Debs &	5 years	11.30	11.31	11.38
16 Loans	15 years	11.21	11.19	11.38
17	25 years	11.15	11.12	11.38
18 Preference	†	10.06	10.04	10.85

‡Opening index 1743.8; 10 am 1738.9; 11 am 1737.9; Noon 1742.3; 1 pm 1742.6; 2 pm 1743.8; 3 pm 1739.6; 3.30 pm 1740.1; 4 pm 1738.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	95	12
Corporations, Dominion and Foreign Bonds	14	6	31
Industrials	389	372	837
Financial and Properties	165	117	382
Oils	27	17	62
Plantations	1	3	6
Mines	21	73	100
Others	80	71	111
Totals	701	754	1,544

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Amount ... cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Aug 22
- Last Dealings Sep 9
- Last Declarations Nov 24
- For settlement Dec 5

For rate indications see end of London Share Service

Stocks dealt in for the call included Trusthouse Forte, Singer and Friedlander, Hickson, Raine Industries, Brent Walker, Racal, Tesco, Control Securities, Helical Bar, Tuskar Resources, DinkieHeel, Regentcrest, Dee Corporation, Amstrad, BSR, Blacks Leisure and BOM Holdings. Puts were arranged in Helical Bar and Sovereign Oil and Gas.

LONDON TRADED OPTIONS

Options listed: Allied Lyons, Brit. Airways, Brit. & Comm., B.P., Boots, Cable & Wire, Cons. Gold, Courtaulds, Com. Union, G.E.C., G.K.N., Grand Met., I.C.I., Jaguar, Land Securities, Marks & Spencer, British Telecom, Rolls-Royce, STC, Sainsbury, Shell Trans., Storehouse, Trafalgar House, T.S.B., Utd. Biscuits, Ultramar, Woolworth, Ladbroke, Brit. Aero, BAA, BAT Inds, Brit. Telecom, Cadbury Schweppes, Guinness, LASMO, P. & O., Pilkington, Plessey, Prudential, Racal, R.T.Z., Vaal Reefs, Amstrad, Barclays, Beecham, BTR, Blue Circle, Dixons, Glaxo, Hawker Sidd., Hillsdown, Hanson, Lonrho, Midland Bk, Sears, Tesco, Thorn EMI, Trusthouse Forte, Unilever, Wellcome, Boots, British Gas, RHM, Tr. 11¾% 2003/07, Tr. 12% 1995, FT-SE Index.

[illegible]

September 1 Total Contracts 51,864 Calls 24,161 Puts 27,703
FT-SE Index Calls 1347 Puts 2525
*Underlying security price.

حلكترا من الأصل

LONDON STOCK EXCHANGE

Weaker sterling brings late setback

STORM CONES were hoisted over the UK securities markets yesterday afternoon when a late fall in sterling brought back all the City's fears that domestic interest rates could be forced higher still.

Government bonds, having traded confidently throughout the day, fell by nearly half a point in the final half hour, taking long-dated yields above 10 per cent. The sector was additionally upset by the latest Bank of England figures on notes in circulation which, according to some analysts, suggests that successive base rate increases have so far failed to stem consumer spending.

At the same time, the international scene darkened as the London market move towards its close. Equities, having traded lower all day beneath the shadow of the setback on the Tokyo Exchange overnight, sharply extended their losses when Wall Street opened with an early 30 point fall.

Account Dealing Dates

First Declarations:	Aug 15	Sep 5	Sep 19
Option Declarations:	Sep 1	Sep 15	Sep 29
Last Dealings:	Sep 2	Sep 16	Sep 30
Account Day:	Sep 12	Sep 26	Oct 10

*New time dealings may take place from 9.00 am two business days earlier

There was increased selling of equities in the closing minutes, when major market indices were depressed by losses in the blue chip international stocks. Oil shares reversed early gains as the US market opened.

The FT-SE Index closed 28.1 points down at 1730.5, a shade above its worst but about ten points lower than its level at 3.30pm. The Index now lacks a support level above 1720, according to the chart specialists.

Seaq volume, combining both marketmaker and customer trade, totalled 385.8m shares against a comparable 357.2m on Wednesday.

While the setback in both bond and equity sectors came too suddenly to allow deep analysis by market professionals, the final mood was, "very uncomfortable", to quote a trader at one of the major houses.

The first half of yesterday's trading session saw further selling of leisure, brewery, food and similar consumer stocks as the market continued to discount the likely effects of higher interest rates on domestic spending patterns.

Also depressing the consumer sector was the news that Goodman Fielder Wattie intends to sell its 29.99 per cent stake in Ranks Hovis McDougall following the referral to the UK Monopolies and Mergers Commission of Goodman's bid for the UK food group. The bid has been allowed to lapse.

Government bonds showed gains of ⅛ in early trading and seemed to be holding their ground well until the pound started to slip. The reaction was then fairly rapid, although most of the final losses represented marking-down operations by traders. The key bond, the Treasury 11¾ pc 2003-2007, closed ⅞ down, to give a yield of 10.02 per cent.

Short-dated Gilts lost about ⅛, closing with yields of 10.75 per cent. There was some selling of Index-linked Gilts, despite the heightened concern over inflation.

FINANCIAL TIMES STOCK INDICES

	Sep 1	Aug 31	Aug 30	Aug 26	Aug 25	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.48	86.54	86.72	86.83	87.34	86.00	91.43 (18/4)	86.48 (1/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.94	96.72	96.65	96.86	97.03	92.20	98.57 (25/5)	94.14 (6/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1391.8	1409.4	1409.9	1425.4	1432.6	1774.5	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	193.1	194.1	197.2	200.1	199.1	452.8	312.5 (7/1)	187.8 (18/8)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.88	4.82	4.82	4.78	4.75	3.26				
Earning Yld %(full)	12.32	12.17	12.16	12.05	11.98	8.06				
P/E Ratio(Net)(*)	9.87	10.00	10.00	10.10	10.16	15.23				
SEAQ Bargains(5pm)	22,577	19,380	23,651	24,327	25,902	33,061				
Equity Turnover(£m)†	-	934.58	654.95	1154.60	1038.83	1890.05				
Equity Bargains†	-	20,148	23,841	25,659	23,183	54,999				
Shares Traded (ml)†	-	277.8	286.2	413.9	381.3	763.5				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1402.4	1398.1	1398.0	1401.2	1401.4	1402.0	1399.2	1398.8

DAY'S HIGH 1402.4 DAY'S LOW 1390.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆ Nil 9.79 † Excluding intra-market business

S.E. ACTIVITY

Indices	Aug 31	Aug 30
Gilt Edged Bargains	90.0	106.3
Equity Bargains	130.5	154.5
Equity Value	1889.0	1344.0
5-Day average		
Gilt Edged Bargains	100.0	102.0
Equity Bargains	146.8	148.6
Equity Value	1872.8	1796.8

● London Report and latest Share Index: Tel. 0898 123001

Hectic trading in RHM

THE DECISION by Goodman Fielder Wattie (GFW) to offer its 29.9 per cent stake for sale led to a hectic session in Ranks Hovis McDougall (RHM). At one stage dealers were changing their prices so rapidly that a reverse spread of 20p was quoted, after which the price settled significantly lower at 337p, down 21p. Turnover was heavy at 8.8m shares.

There was inevitable speculation as to who might be cash-rich and interested enough in the stake to have approached GFW, with dealers agreeing that Goodman will either have to sell the stake whole at a discount or let it go in lumps to institutions. One price mentioned for the whole stake was 350p per share.

Among several names mentioned, Grand Metropolitan was prominent, although dealers were quick to point out that Grand Met was a prime suspect for a white knight role when Goodman bought its initial stake in RHM. If it completes the sale of its InterContinental hotel group, Grand Met would have enough cash to buy the stake and launch a bid for RHM, but analysts were unwilling to hazard an opinion. Grand Met shares ended 5 down at 488p. Also mentioned was Allied-Lyons and, less plausibly said dealers, cash-rich Hanson.

Taylor Woodrow up

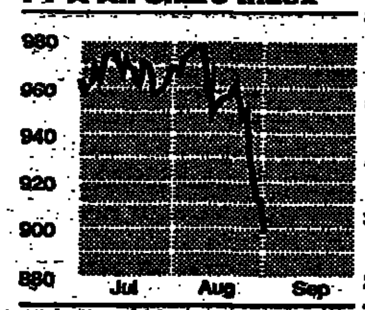
A flurry of activity in Taylor Woodrow (TW) was triggered by P.& O.'s announcement that it had increased its stake in the group from 8.5 to 9.9 per cent. TW shares moved ahead smartly to 570½ before falling back to close 5 up at 567p. Volume traded in the stock, however, amounted to only 786,000 shares.

P.& O. first revealed a stake of 6.1 per cent in TW in late July. At that time it was said that the two companies were considering possible joint ventures, but this carried little weight with the market which pinned its hopes on an outright bid and a major upward movement in the TW share price ensued.

The market was given further food for thought when the holding was later increased to 8.5 per cent. A leading marketmaker said: "As a supposedly friendly buyer P.& O. is behaving in a rather aggressive manner".

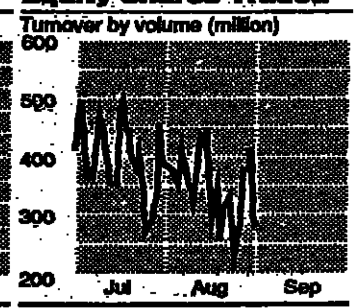
TW announced yesterday that it has contracted to acquire an investment property portfolio from the Warrington and Runcorn Development Corporation for £77.1m to be funded entirely from the company's own resources.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



ADRs lift Hanson

Hanson Trust stood out well against the wider market. At the close its shares stood 1¼ better at 137½p in improved turnover of 6.4m. The rise was stimulated by large buying of ADRs in New York on Wednesday, buying which reappeared yesterday. Dealers noted speculation that Hanson, in conjunction with Sir James Goldsmith, might be about to launch a $75 per share bid for Goodrich, the US tyre company.

The ADR activity was said to be led by US securities house Merrill Lynch which is believed to have bought 750,000 ADRs, representing some 3.8m underlying shares, at the equivalent price of 138p per share. The fact that Merrill Lynch may have been involved lent credence to the Goodrich rumour on the grounds that Merrill is known to have acted for Sir James Goldsmith in the past.

This sparked off limited UK institutional interest, but dealers commented that unless there is an announcement soon concerning the Goodrich rumour the activity is unlikely to last. "This could be just another of those plausible, but untrue, stories that appear in Hanson from time to time," said one.

British Petroleum issues hardly flinched at the group's decision to proceed this month with the foreshadowed sale of around 15 per cent of its BP Gold subsidiary through a public offering of 11.25m common shares. Analysts suggest the sale could raise about £200m, which is reckoned to be small beer for a group of BP's size.

The oil sector generally tended to edge back from slightly higher morning levels, leaving BP "old" shares little changed at 238p and the partly-paid a shade firmer at 140p. Shell Transport ended marginally down and British Gas drifted back further to 171p. Burmah attracted fresh buy recommendations, this time from Nomura Research and County NatWest WoodMac, and improved to 515p before ending at 511p.

Leading electrical issues attracted mixed sentiment yesterday. Racal tumbled in early trading, falling as low as 288p before recovering to 298p after the company denied reports that it might have to delay the flotation of its Vodafone subsidiary. Nevertheless, the timetable for flotation remains subject to market conditions and at the close Racal registered a fall of 10½ to 293½p after high turnover of 9.1m shares.

Amstrad staged a minor recovery, its gain of 1½ to 282½p in turnover of 3.4m shares representing a good performance. Dealers said product launches were finally receiving some attention. Thorn-EMI fell 7 to 623p in very thin trade. Warburg Securities upgraded its profit forecast from £276m to £285m for 1988.

Other leading issues were depressed. BT fell 3½ to 227p, Plessey lost 6 to 151½p and Ferranti lost 2 to 87½p. BSR continued to struggle, falling 4 more to 62p.

Market suggestions that Lonrho was about to announce either a rights issue or some other form of fund-raising subsided as volume increased noticeably. Over recent sessions the stock has moved against the market and yesterday the trend continued with the shares gaining 3 to 250p after turnover of 8.2m.

Business seemed to be well spread and large deals went through the system at identical prices. These may have been agency crosses or the accumulation of stock by one source which marketmakers were unable to identify.

The financial sector turned off towards the close, in line with the rest of the market. Clearing bank issues fell from favour, giving back several pence after this week's relatively firm performance. Losses ranged from 2½p in Lloyds (288p) to 8 in Barclays (391p). Plans to list in Tokyo, where 20m new shares will be sold, left NatWest 3 off at 524p.

Standard Chartered settled 9 lower at 493p as the market absorbed denials that two of its "white squires" had sold their share stakes.

Profits were taken on insurance shares, a notably dull feature being Sun Alliance, due to follow Guardian Royal Exchange (GRE) with its interim trading figures. At Nomura, Mr Trevor May sees Sun Alliance as an "attractive defensive stock" in present circumstances, but believes that its financial strengths are fairly reflected in the share price.

With Barclays de Zoete Wedd warning that "the downward trend in earnings" starts next year, and Hoare Govett doubting whether GRE can buck the trend, there were losses all round the composite insurance sector. At 945p, Sun Alliance gave up 12p, while GRE shed 5 to 171p and Commercial Union 7½ to 332p.

It was much the same on the life pitch, where satisfaction with half-time figures announced on Wednesday proved little help to Pearl, which drifted easier to 469p.

Among brokers, switching out of Sedgwick continued, leaving the shares 6 off at 225p. Further consideration of the trading figures took 6 off Steel Burrell Jones at 213p.

Whitbread ran into the predicted brokers downgradings and fell 14 to 272p in turnover of 2.5m shares. Leading stocks in the sector were depressed, with the exception of Allied Lyons, which shaded just ½ to 388p in light trade.

Across the Irish Sea, there was considerable interest in Irish Distillers (ID) after confirmation that Pernod Ricard had taken at least a 2.8 per cent stake. ID shares rose 9 to 358p. London dealers said it was hard to judge overall turnover yesterday, but felt that Pernod was still buying stock. Pernod is thought to be hoping to block the Grand Metropolitan bid for ID before arranging either a joint venture or a distribution agreement with ID. A statement from Pernod today may clarify the position.

Building shares suffered a *sharp setback. Fears that interest rates may have to be* increased further took its toll on sentiment, particularly in the last hour or so of trading when the tone was described as "extremely nervous". Housebuilders were well to the fore in the reaction with Tarmac falling 7 to 218p and Barratt Developments a like amount to 166p.

The respite from selling in the Stores sector proved short-lived. Next were noteworthy for a fall of 8 at 201p, while Storehouse dipped 7 to 198p and Burton eased 5¼ to 198p.

Sears continued to trade briskly. Some 7.6m shares went through as the price fell to 126p offered, before good two-way business developed. With buyers eventually gaining the edge, the shares rallied to close 3 down at 128p.

Yale and Valor closed 3 better at 413p, after 416p, following the chairman's bullish remarks at the annual meeting about the group's trading performance. Commenting on the Williams Holdings and Ingersoll Rand stakes, he said: "There is nothing at this stage to indicate that either of the companies is anything other than an investor. Both understand that the company is confident about the future and would choose to remain independent".

Western Motor shares are still being "torched" said a leading analyst, mystified by the fall from last week's high point of the year of 615p to 544p, down 16 more yesterday. The group is thought to be highly geared, but the terms of the Lada franchise agreement mean that the group has to deposit cash of £35m-£40m which is interest bearing. Higher rates are therefore seen to be beneficial rather than harmful.

WPP impressed with its results, but inspired only conservative upgradings from analysts. Its shares fell 20 to 578p amid uncertainty over its plans for Charles Barker, which fell 8 to 155p. BZW analyst Mr Andrew Mills has raised his forecast for WPP for 1988 by £2.1m to £36.5m.

It was confirmed that MAI's stake in AGB Research was sold to Pergamon on Wednesday and AGB shares were steady, losing a penny to 217p. UK Paper recorded one of the day's best rises, up 5 to 164p after its results were well received and buyers emerged.

Japanese-orientated Investment Trusts followed the latest setback in the Tokyo market with Fledgeling Japan income falling 8 to 73p and GT Japan losing 15 to 273p. GT Management came under pressure also but for a different reason. Adverse comment upset the whole sector. Philip Gibbs of CL-Alexanders Laing & Cruickshank has downgraded his estimate for Henderson Administration (down 10 at 655p) from £16m to £13.5m and may shortly lower his current estimate of £9m for GT Management. The latter's shares closed 12 down at 128p.

The re-listing of Ashley Industrial Trust (AIT), the shell company recently reorganised by Mr Tony Butler, was a muted affair largely because of wider market nerves. Early last month the shares of AIT, shortly to be re-named Ashley Group, were suspended following the proposal to raise £33.6m through a rights issue and major share placing; the funds were needed to finance the acquisition of DIGSA, a Spanish food group, from Dee Corporation for £30m. AIT shares closed at 76p ex-rights while the new nil-paid settled at 1½p premium yesterday.

Business in Traded Options was the third largest since the October crash with 27,703 puts and 24,161 calls, making a total of 51,864. The highlight was a total of 9,440 contracts, almost exclusively puts, in TSB. Sears were again active with 6,330 contracts, some 4,600 of which were calls.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 32

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,200	146	-5
Abbey Life	1,100	297½	-4½
Allied-Lyons	1,100	388	-½
Amstrad	3,400	282½	+1½
Argyll Group	1,500	170	-3½
Assoc. Brit. Foods	418	298	-4
BAA	712	254	-5
BAT	2,000	434	-5½
BET	845	216	-5
BICC	528	330	-5
BOC	134	391	-2
BPB Inds.	686	264	-5½
BTR	1,800	260	-4
Barclays	2,100	391	-8
Bass	191	738	-14
Beecham	1,900	456	-5
Blue Arrow	5,300	90½	-2½
Blue Circle	450	412	-4
Boots	2,300	201	-5
Brit. Airways	2,500	146	-1
Brit. Aerospace	728	480	-6
Brit. & Comm.	577	216	-8
British Gas	7,800	171	-1½
British Land	581	385	-6
BP	4,700	238	-½
Brit. Telecom	1,700	227	-3½
Burmah Oil	1,100	511	-1
Burton	1,100	198	-5½
Cable & Wireless	1,100	359	-6
Cadbury Schweppes	1,000	352	-9
Coats Viyella	848	206	-4
Commercial Union	1,200	332	-7½
Cons. Gold	523	975	-16
Cookson	434	237	-2
Courtaulds	1,700	303½	-7½
Dalgety	863	325	-2
Dee Corporation	360	169½	-1½
Dixons	1,200	149	-2½
Eng. China Clays	348	442	-11
Enterprise Oil	656	437	
FKI Babcock	564	115	-2
Fisons	871	229	-3½
General Accident	124	872	-5
General Elect.	4,600	151	-3
Glaxo	750	944	-3
Globe Investment	163	136	-1½
Glynwed	1,000	282	-2
Granada	531	284	-8
Grand Met	1,400	488	-5
GUS "A"	218	£18½	-½
Guardian R.E.	1,100	171	-5
GKN	732	306	-6
Guinness	1,000	304	-2
Hammerson	265	612	-4
Hanson	6,400	137½	+1½
Harrisons & Cros	114	605	-10
Hawker Siddeley	630	502	-7
Hillsdown Hldgs	408	259	-7
IMI	664	177	-5
ICI	1,100	995	-3
Inchcape	409	198	-6
Jaguar	835	241	
Ladbroke	1,250	426	-9
Land Securities	494	539	-5
Laporte	119	399	-1
Legal & General	834	293½	-6
Lloyds Bank	1,600	288	-2½
LASMO	2,300	382	
Lonrho	8,200	250	+3
Lucas	431	512	-9
MEPC	1,400	521	-2½
Marks & Spencer	4,100	150½	-3½
Maxwell Comm.	2,100	195	-4
Metal Box	2,200	205	-3
Midland Bank	932	389	-7
Nat West Bank	725	524	-3
Next	601	201	-8
Northern Foods	271	267	-6
Pearson	203	705	-4
Pearl Group	436	469	-1
P & O	974	554	-8
Pilkington	1,100	196½	-3½
Plessey	1,300	151½	-6
Prudential	1,100	148½	-4½
Racal	9,100	293½	-10½
Rank Org	610	666	-21
RMC	550	445	-10
RHM	8,800	337	-21
Reckitt & Colman	279	893	-5
Redland	213	396	-7
Reed Intl	990	393	-9
Reuters "B"	403	473	-4
RTZ	1,400	413	-11
Rolls-Royce	4,100	127	-5
Rothmans "B"	951	410½	-½
Roy. Bank Scotland	516	324	-3½
Royal Insurance	770	379	+2
STC	1,600	247½	-6½
Saatchi & Saatchi	710	339	-5
Sainsbury	363	206	-2
Scot. & Newcastle	1,000	331	-6½
Sears	8,400	128	-3
Shell Transport	1,100	986	-5
Siebe	307	362½	-4½
Slough Estates	1,900	292	
Smith & Nephew	3,700	110	-2
Standard Chrtd	405	493	-9
Storehouse	1,100	198	-7
Sun Alliance	1,100	946	-11
T & N	234	170	-1
TSB	1,200	99½	-2
Tarmac	430	217	-8
Tate & Lyle	216	812	-10
Tesco	1,700	138½	-2
THORN EMI	335	623	-7
Trafalgar House	868	301	-3½
Trusthouse Forte	1,800	230	-4
Ultramar	896	248	-3
Unilever	1,000	436	-3
United Biscuits	1,000	261½	-1½
United News	325	387	-6
Wellcome	710	487	-4
Whitbread "A"	2,500	272	-14
Williams Holdings	2,800	260	-10
Wimpey	461	228½	-4½
Woolworth	331	222	-5

NEW HIGHS AND LOWS FOR 1988

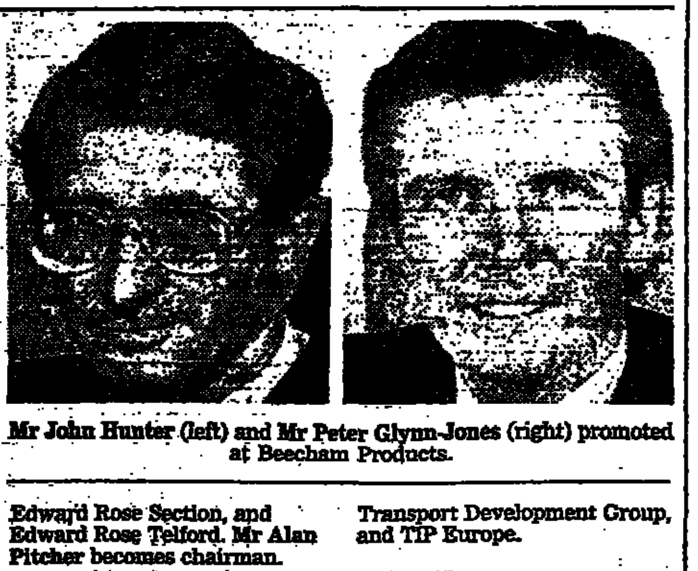
NEW HIGHS (11). [illegible] Brinco, Hamilton Oil.

NEW LOWS (188). BRITISH FUNDS (14) CANADIANS (1) Armeno, BANKS (4) First Nat. Fin., Hambros, Rothwells, Warburg (S.G.), BREWERS (1) Bass, BUILDINGS (11) STORES (22) ELECTRICALS (10) ENGINEERING (7) Aerospace Eng., Carclo Eng., Cauldon, Christy Hunt, Hobson, Meggitt, Richards Grp., FOODS (9) ASDA Grp., Argyll Grp., Bejam, Hazlewood, Hillsdown Hldgs., Sainsbury (J.), Tesco, Do. 9pc., Thorntons, INDUSTRIALS (31) Aberfoyle, Alexander (W.), Astra AB, Aukett Associates, BET, [illegible] Class A, Thomson T-Line, UHS Intl., Unilock, INSURANCE (3) Durham (D.G.), Prudential, Refuge, LEISURE (3) BCE, Hi-Tec Sports, Tottenham Hotspur, MOTORS (4) FR Grp., Kwik-Fit, March Group, Spice, NEWSPAPERS (4) Collins William, Johnston Press, News Int.Spec.Div., Utd. News., PAPERS (14) PROPERTY (9) SHOES (2) Headlam Sims, Lambert Hn., TRUSTS (17) OILS (5) Carless, Cluff Res., Cluff Oil Wrnts, Kelt 6pc Cv Pf., Southwest, OVERSEAS TRADERS (1) Chillington Corp., MINES (11) THIRD MARKET (3) Amercoeur Energy, Ovoca Gold, Sonic Tape.

APPOINTMENTS

Beecham reorganises consumer products

BEECHAM GROUP has restructured its consumer products organisation and has promoted two executives. Mr John Hunter is to be chairman, and Mr Peter Glynn-Jones becomes managing director of the new organisation, Beecham Products. Mr Hunter, who has been with the company for 31 years, was most recently responsible for all of Beecham's UK, European and international consumer products operations. Mr Glynn-Jones has been with the company 17 years, and was president of Beecham Products USA. The chairmen of each geographical division will report to him. Mr Tony Dougal-Biggs is appointed vice chairman, Beecham Products. He was chairman of the toiletries and over-the-counter medicines business in the UK and Western Europe. Mr Michael Fensome becomes director, strategic brand development. He helped create a new organisation which integrated Beecham Foods and Bovril Brands, and was its first managing director. Mr David King is made chairman, Beecham Products UK. He joined in 1980 with the acquistion of Bovril where he was sales director. Earlier this year he was appointed chairman of the food & drink division. Mr David Boyle becomes chairman, Beecham Products in Continental Europe. He was chairman of the international division. Mr Charles Pargola has been appointed president, Beecham Products USA. Mr Howard Hutchings is made chairman, Beecham Products International. He was managing director of the UK and Western Europe toiletries and OTC medicines businesses.



Mr John Hunter (left) and Mr Peter Glynn-Jones (right) promoted at Beecham Products.

■ IMPERIAL TRIDENT LIFE has appointed Mr Peter Hulse as director - UK equities, and Mr Kenneth Miner as director - fixed interest securities.

■ HUMPHREYS & GLASGOW, London, an Enserch company, has appointed Mr William J. McNeill as chairman and chief executive officer, succeeding Mr W.H. Fraser who will pursue other interests. He was chairman of associate companies British Offshore Engineering Technology, and Earl and Wright. He is also chairman of Kent County Council.

■ Mr Lou Morris, Mr David Knight and Mr Anthony Williams have been appointed directors of BARCLAYS de ZOETE WEDD CAPITAL MARKETS.

■ Dr Colin Wiagner has been appointed managing director of WAGON INDUSTRIAL HOLDINGS subsidiaries Edward Rose Birmingham, Edward Rose Section, and Edward Rose Telford. Mr Alan Pitcher becomes chairman.

■ Mr S. "Freddie" Ferrada has been appointed a director of ROTCH PROPERTY GROUP. He retired last year as a director of The Hammerson Property Investment and Development Corporation, where he continues as a consultant.

■ Mr Jim Davis has joined SEDGWICK MARINE AND CARGO as a non-executive director. He was a director of Kleinwort Benson. He is chairman of DFDS, The Marine Society, the International Maritime Industries Forum, Simplification of International Trade Procedures Board, and British Rail Anglian Board; and a director of Associated British Ports Holdings, Transport Development Group, and TIP Europe.

■ ALLIED COMMUNICATIONS GROUP has taken a 51 per cent stake in Ward Executive. Mr Vernon Pascoe, chairman of ACG, has been appointed chairman of the new company. Mr Terry Ward becomes managing director. He joins from Link International Search and Selection, where he was managing director. Ms Claire Ward has been appointed client service director. She was a director at Link International.

■ Mr Timothy Pierce, who joins from Price Waterhouse, has been appointed vice-president of finance of MRS FIELDS INC. Mr Robert Neilson has resigned as chief financial officer.

COMMODITIES AND AGRICULTURE

Cocoa price spirals down to seven-year low

By Richard Mooney

THE DOWNWARD spiral in cocoa prices on the London futures market took another turn yesterday as bearish factors piled up ahead of next week's crucial council meeting of the International Cocoa Organisation in London.

The December delivery position fell £32 to a seven-year low of £816 a tonne, while at one point the March quotation reached £790 a tonne, the lowest third-position futures price for 12½ years.

Speculative selling based on chart signals was the immediate cause of the renewed fall. However, backing this were narrowing premiums for West African physical supplies, which were taken as signalling an easing in the nearby supply tightness following recent sales by Nigeria, Cameroon and *Malaysia*.

In the background predictions of a fifth consecutive annual production surplus were continuing to weigh down dealers' spirits.

Gill & Duffus, the London trade house, added to their gloom with its market report issued after last night's market close. It lifted its estimate of *the 1987-88 surplus to 133,000* tonnes, from 111,000 tonnes in its June report, and revised its 1986-87 surplus figure from 50,000 tonnes to 66,000 tonnes.

The net result was to raise the projection for this year's end-of-season stocks by 38,000 tonnes, to 743,000 tonnes, equivalent to 4.7 months' consumption.

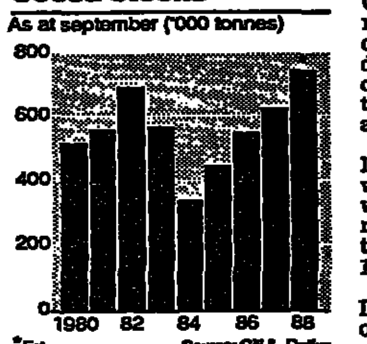
For the coming season Gill & Duffus sees a continued worsening in the market balance. It said: "It is apparent that the growth in production is still outstripping that of consumption, despite the anticipated acceleration of the latter."

Further, it warns that in the *event of no new initiative to* restrict the supply, any surplus (in 1988-89) will have to be *borne by the market alone* because of the suspension of ICCO buffer-stock buying.

The report said that in the past two seasons 150,000 tonnes of the estimated aggregate surplus of 199,000 tonnes was absorbed by buffer stock.

Cocoa stocks

As at september ('000 tonnes)



*Est. Source: Gill & Duffus

Meanwhile, at the Cocoa Producers' Alliance meeting in Lomé, the Togolese capital, Ivory Coast has been doing little to encourage hopes of the ICCO being in a position to regain its grip on the market after next week's meeting.

Mr Felix Houphouet-Boigny, Ivory Coast's president, has warned that his country, the world's biggest cocoa producer, may stay out of the ICCO after the present pact expires in 1990.

His agriculture minister, Mr Denis Bra Kanon, has spoken of the agreement "dying its own death."

The nearest thing to bullish news to emerge from the Lomé meeting was Wednesday's announcement that the CPA was to investigate cocoa stock statistics.

A statement issued at the meeting's end said members were "unanimously convinced of the fictitious character of statistics relating to world stocks."

Mr Bra Kanon, mentioning a figure of 800,000 tonnes – which presumably included next year's expected surplus – said: "We producers know there is not such a stock in *surplus*."

The alliance said it would investigate "the real quantity, quality and age of cocoa in storage, as well as the holders of the said stocks and their geographical distribution."

Brazil rules out coffee quota cut

BRAZIL WILL not accept a cut in its International Coffee Organisation export quota for 1988-89, Mr Jorio Dauster, president of the Brazilian Coffee Institute said this week, reports Reuter from Rio de Janeiro.

Quotas for the year now ending and the coming September to October period were agreed last year.

Brazil's quota for the coming coffee year was about 30m bags of 60kg, with the exact figure to be calculated on the formula agreed last year, Mr Dauster said. "We will not accept a reduction," he added.

He repeated statements that this month's ICO meeting in London should set a timetable for talks on what to do when the current coffee pact expires next year.

Brazil is due to attend a meeting of exporting countries in Quito, Ecuador's capital, next Monday and Tuesday, when the exporters will be trying to thrash out a common position ahead of the full ICO Council session scheduled to begin in London on September 19. Mr Dauster described next *week's talks as a traditional* co-ordinating meeting.

Consumers are unhappy with the accord which tries to stabilise world coffee prices through export quotas. They want a new pact, saying the current one does not satisfy their needs and forces them to pay higher prices than non-ICO members.

● Mr Dauster said he had been confirmed as the institute's president by the country's new Trade and Industry Minister, Mr Roberto Cardoso Alves.

There has been speculation that Mr Alves might choose a new man for the post, but Brazilian exporters appealed to him to keep Mr Dauster, who is widely respected by local traders and growers.

Mr Dauster declined to speculate on how long he might stay as president of the institute.

Opting not to plead in open court

Raymond Hughes on ITC members' moves to strike out actions

ONCE AGAIN an important court hearing in litigation arising from the collapse into insolvency of the International Tin Council is to take place behind closed doors.

On Monday, Mr Justice Evans, a Commercial Court judge, will begin hearing in private an application, by the 24 members of the ITC, to strike out actions brought against them by six banks and nine brokers, all creditors of the ITC. The hearing is expected to last three weeks.

Pre-trial hearings in Commercial Court actions are customarily heard in chambers unless the parties ask the judge to sit in public.

It is understood that, although the creditors and the UK would have no objection to the case being in open court, the other states are not minded to depart from the usual procedure.

In May last year the court sat in private to hear a similar application by the states in actions brought by two other broker creditors, J.H.Rayner (Mincing Lane) and Maclaine Watson.

On that occasion the judge, *Mr Justice Staughton*, gave his judgment in favour of the states in open court. The *subsequent Court of Appeal* hearing, at which his ruling was upheld, was all in open court, as will be the final appeal before the Law Lords this year or early next.

The likelihood is that Mr Justice Evans will adopt the same course as Mr Justice Staughton – and that the arguments will be rehearsed again in public when, inevitably, the matter goes to appeal.

Throughout the litigation the members – the UK, 22 other states and the European Community – have denied that they are legally liable for the ITC's debts.

They will seek to have the banks' and nine brokers' actions struck out on the basis that the creditors have no legally sustainable cause of action against the UK and that the foreign states have sovereign immunity.

The banks and brokers took part in the earlier hearing to deal with issues common to both sets of proceedings. This latest hearing will be concerned with other issues arising from damages claims which are based on allegations of negligence and misrepresentation.

The banks entered the litigation lists in December 1986 with writs, all in broadly similar terms, issued by Australia & New Zealand Banking Group (ANZ), Kleinwort Benson and Arbuthnot Latham, claiming *respectively £4.6m, £8.47m and* £2.33m.

In each writ the claim was made on one of three alternative bases: that the member-states are liable as members of the ITC; as members participating in ITC operations; or as principals upon whose behalf the ITC contracted.

Alternatively the banks claim damages for breach of implied contracts collateral to the loan contracts.

A further alternative claim, against all the defendants except the EC, is for damages for negligence and/or negligent misrepresentation "in and about the defendants' conduct of the affairs of the ITC as a result of which (each bank) advanced money to the ITC and has been unable to recover the sums due."

ANZ's writ contains a further claim, against Australia alone, for damages for negligent misrepresentation "in giving advice and information (to ANZ) as to the affairs of the ITC in or about June, 1983, November 1983, June 1984 and June 1985."

Three more bank creditors joined in the litigation later: Banque Indo-Suez (claiming £1.17m), Hambros (£7.11m) and TSB (£5.99m).

In February last year the nine broker creditors issued a writ claiming payment of tin-contract debts totalling £110m, and unquantified damages, including damages for alleged false representation.

The nine are members of the Tinco Realisations group being co-ordinated by Mr Michael Arnold, of Arthur Young, the chartered accountant.

They are Amalgamated Metal Trading, Boustead Davis (Metal Brokers), Gerald Metals, Gill & Duffus, Henry Bath & Son, Holco Trading Company, Metallgesellschaft, Metdist and Mocatta Commercial.

As an alternative to their contract-debt claim they seek damages for repudiation of the contracts or for non-acceptance of the goods sold, after the ITC buffer-stock operations collapsed in October 1985.

The Tinco writ claims damages for "the false representations" made by the ITC's buffer-stock manager and deputy buffer-stock manager to the plaintiffs, "negligently and/or recklessly without caring whether they be true or false," that the ITC reasonably expected to have sufficient funds available to meet the contract liabilities.

The false representations were impliedly made in making the contracts and were either authorised by the members or made on their behalf, the writ asserts.

Alternatively to that claim the brokers seek damages for breach of warranty that the liabilities would be met when they fell due – alternatively that there were reasonable grounds to expect that the ITC would have sufficient funds to meet them.

LME launches special high grade zinc

By Kenneth Gooding, Mining Correspondent

ANALYSTS EXPECT the London Metal Exchange's new Special High Grade zinc contract, launched yesterday, eventually to make redundant the European Producer Price of zinc, widely used in contract negotiations.

However, they emphasise that the success of the contract depends on producers supporting it.

Mr John Harris, an analyst with Rudolf Wolff, metal traders, said: "The custom smelters in Europe pressed the LME hard to introduce this contract and the exchange bowed to that pressure. Having asked and been given, it is up to the producers to use it."

However, he and other observers said the new contract could hardly have been launched at a worse time because stocks of the material world-wide were very low and there was little incentive for producers to deliver into the LME's warehouses.

Mr Stephen Briggs, of Shearson Lehman Hutton's London metals research unit, said: "Previously when new contracts were launched there were worries about stocks but they were quickly dispelled.

"But metal supplies are tight at the moment and there might really be a problem this time."

The analysts agreed that, if the new contract can survive the early difficulties, in the long term it should displace the European Producer Price.

The EPP is based on the so-called good ordinary brand zinc contract which the LME discontinued in 1985 because less than 10 per cent of the zinc produced is of this standard.

The LME timed introduction of the new contract so producers and custom smelters would be able to use it as the basis for negotiations when pricing talks take place with consumers next spring in the so-called contracting season.

The Special High Grade zinc is of 99.995 per cent purity. The existing High Grade (99.9 per cent pure) contract will continue to run in parallel for some time but yesterday was switched from sterling to US dollars.

Special High Grade made a quiet start with metal for delivery in three months quoted in the range $1,400 to $1,405 a tonne. Dealers said the premium over the High Grade of about $45 to $50 a tonne was much as expected.

The first cash position for the new contract falls due on December 1. Options trading will not be available until it has become well-established.

Drought cuts US farm income forecast

NET US farm income for 1988 is forecast at $38bn to $43bn, down from last year's $46bn record, the US Agriculture Department said, reports Reuter from Washington.

The department said net farm income was typically much more volatile than net cash income because weather often causes sharp changes in production that lead to swings in inventory values.

Based on August 1 conditions, net cash income could be between $55bn and $60bn, following last year's record $57.1bn, the department said.

At the beginning of the drought, the outlook for crop receipts was much improved over recent years. Substantially reduced wheat and soyabean stocks, rising exports, and strong demand from an expanding livestock sector were driving grain prices higher, it noted.

The drought further boosted the early season price strength and crop receipts were now estimated $6bn above the 1987 level, with half the increase due to the drought.

Study says fish farming damage is reparable

By Bridget Bloom, Agriculture Correspondent

FISH FARMING could upset the ecological balance of marine and biological life in lochs and coastal waters where it is practised, a report issued yesterday by the Highlands and Islands Development Board said.

Fish farming is one of the fastest-growing industries in Scotland's highlands and islands.

However, such ecological damage could be made good provided farming operations, which involve rearing fish in cages, were moved around.

The report is based on a four-year study of aquaculture and the environment by Stirling University scientists, funded mainly by the board.

The study was co-sponsored by the Nature Conservancy Council, the Crown Estates Commissioners, the Countryside Commission for Scotland and the Scottish Salmon Growers Association.

The background to the study is a growing concern with the environmental impact of salmon farming in the highlands and islands.

Salmon farming has grown rapidly in recent years. Last year, about 13,000 tonnes, worth some £63m at farmgate prices, were produced; output is forecast to reach 54,000 tonnes by 1991.

There are also plans to raise the much smaller current production of shellfish, including lobsters, as well as fish such as halibut.

The study found that in the five sites investigated the effects of surplus food and waste products associated with fish farming were confined to within 60 metres of the fish farm. The biggest changes were noted within 15 metres.

Under so-called extreme conditions the effects could prove toxic to fish. However, the report concluded that where there was sufficient depth and water exchange, the site was unlikely to become soured.

Investigations into Benthic Enrichment, Hypernutrification and Eutrophication Associated with Mariculture in Scottish Coastal Waters. University of Stirling. £20.

Indonesian coffee exports 'likely to fall'

INDONESIA'S COFFEE exports are expected to fall to 258,000 tonnes in the 1987-88 coffee year, ending September 30, from 297,209 tonnes in 1986-87, the Indonesian Coffee Association said, Reuter reports from Jakarta.

Mr Dharyono Kertosastro, chairman of the association, said Indonesia's coffee output this year was expected to stay at last year's level of 360,000 tonnes, compared with 329,600 tonnes in 1986.

Copper prices forecast to fall World Bank

A WORLD BANK economist has forecast that copper prices will fall sharply from this second half and stay at low levels through the early 1990s, Reuter reports from the United Nations.

The official, Mr Theophilos Priovolos, was speaking to a special commission which is looking into the likely impact of seabed mining on land-based, developing-country, mineral producers.

He said: "After a prolonged period of low prices, international copper prices staged a dramatic run-up in 1987 and, buoyed by strong demand increases and reduced capacities in the wake of the industry's restructuring, remained at high levels through the first half of 1988.

"Copper prices are expected to decline sharply from the second half of 1988 and remain at low levels through the early 1990s, most of the time below 70 cents per pound. They are currently well above 100 cents.

"This price behaviour will be determined by a combination of slow industrial growth and large production units coming on stream in the near future.

"Over the long term, prices are expected to reflect the cost of the marginal producer, likely to be represented by large-scale mines necessary to meet the demand increases to the year 2000."

On nickel's outlook he said from a position of excess demand last year and this, when world use exceeded output by 54,000 and 52,000 tonnes respectively, the industry would move to excess supply next year with a 22,000-tonne surplus.

Nickel prices are projected to grow by 2.3 per cent per annum in current terms during the 1990 to 2000 period.

World production and consumption are expected to reach 898,000 tonnes in the year 2000.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM prices on the London Metal Exchange yesterday continued the fall triggered by the unexpectedly-sharp rise in warehouse stocks announced on Monday. Dealers said fundamental and technical weakness kept the market under pressure as the cash price of high grade (99.7 per cent pure) metal dropped another $110 to $2,680, taking the decline on the week so far to $270. Lead also lost ground with the cash position closing £4 down in subdued trading. But copper remained relatively firm, gaining £15 to £1,413 a tonne for cash metal. At the same time the cash premium over three months widened by £5 to £27.50 a tonne. Copper got off to a strong start following the metals strength in New York's Comex market overnight. But London dealers said trading was thin and some suggested that the market might have had become overbought.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$12.72-2.80q	-0.14
Brent Blend	$14.22-4.29q	-0.27
W.T.I. (1 pm est)	$15.10-5.15q	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$178-181	
Gas Oil	$125-127	-2
Heavy Fuel Oil	$88-89	-1
Naphtha	$134-136	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$430.75	+1.25
Silver (per troy oz)♦	661c	+7
Platinum (per troy oz)	$531.50	+5.50
Palladium (per troy oz)	$123.25	+0.35
Aluminium (free market)	$2680	-110
Copper (US Producer)	109¼-10¾c	+1.87
Lead (US Producer)	36c	
Nickel (free market)	610c	
Tin (European free market)	£4515	+30
Tin (Kuala Lumpur market)	19.32r	+0.14
Tin (New York)	349.25c	+0.75
Zinc (Euro. Prod. Price)	$1275	
Zinc (US Prime Western)	65¾c	
Cattle (live weight)†	114.35p	-0.84*
Sheep (dead weight)†	163.93p	-2.37*
Pigs (live weight)†	69.58p	+0.57*
London daily sugar (raw)	$267.0s	+2.8
London daily sugar (white)	$284.5s	+2.5
Tate and Lyle export price	£268.5	+2.0
Barley (English feed)	£104	
Maize (US No. 3 yellow)	£126q	
Wheat (US Dark Northern)	£120.5x	+0.5
Rubber (spot)♥	70.50p	-0.25
Rubber (Oct)♥	77.00p	-0.25
Rubber (Nov)♥	77.50p	-0.25
Rubber (KL RSS No 1 Oct)	337.0m	
Coconut oil (Philippines)§	$570w	
Palm Oil (Malaysian)§	$440s	
Copra (Philippines)§	$365x	-1
Soyabeans (US)	$208	
Cotton "A" index	58.15c	-0.40
Woolltops (64s Super)	530p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Sep. q-Oct. x-Aug/Sep. s-Sep/Oct. w-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♦ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	864	905	876	860
Dec	816	848	830	808
Mar	802	834	810	790
May	805	830	807	793
Jul	815	835	817	807
Sep	825	848	829	814
Dec	865	886	866	852

Turnover: 11492 (6942) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 31: 1035.40 (1049.98); 10 day average for Sep 1: 1058.89 (1075.56).

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	1023	1018	1030	1014
Nov	1035	1032	1045	1026
Jan	1022	1036	1045	1029
Mar	1022	1021	1032	1017
May	1015	1018	1028	1015
Jly	1022	1019	1028	1018
Sep	1027	1025	1025	1018

Turnover: 3385 (5684) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Aug 31: Comp. daily 109.39 (109.53); 15 day average 108.8 (108.50).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	248.40	238.00	246.20	237.00
Dec	249.60	239.00	250.00	
Mar	243.00	233.80	243.00	233.60
May	236.40	227.40	236.00	227.40
Aug	234.00	226.40		
Oct	232.00	226.00	227.00	
White	**Close**	**Previous**	**High/Low**	
Oct	265.00	257.00	265.00	257.00
Dec	265.00	243.00	261.00	255.00
Mar	263.20	253.50	262.00	255.00
May	264.00	252.00	259.50	256.50
Aug	265.00	250.00	256.50	255.00

Turnover: Raw 7285 (3389) lots of 50 tonnes. White 2715 (1516). Paris- White (FFr per tonne): Oct 1690, Dec 1685, Mar 1665, May 1660, Aug 1675 Oct 1680

GAS OIL $/tonne

	Close	Previous	High/Low	
Sep	126.75	127.75	127.75	126.00
Oct	129.00	130.25	130.25	128.00
Nov	131.50	132.50	132.50	131.00
Dec	133.50	134.75	134.25	133.00
Jan	132.00	132.00	132.25	131.00
Feb	130.00	129.75	130.00	129.25
Mar	126.50	127.50	126.50	

Turnover 3663 (6550) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	108.55	108.35	108.60	108.55
Nov	110.75	110.25	110.85	110.65
Jan	113.50	113.00	113.65	113.50
Mar	116.00	115.50	116.15	116.00
May	118.70	118.10	118.70	118.60
Barley	**Close**	**Previous**	**High/Low**	
Sep	102.25	101.75	102.25	102.00
Nov	105.45	105.00	105.60	105.25
Jan	108.35	107.95	108.45	108.35
Mar	110.75	110.50	110.75	110.75
May	112.55	112.10	112.55	112.50

Turnover: Wheat 273 (264), Barley 103 (82). Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 450 tonne
Cash	2670-90	2780-800		2670-80		
3 months	2610-30	2735-55		2605-25	2610-30	9,107 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 20,025 tonne
Cash	1597-602	1654-8		1590-5		
3 months	1526-7	1588-9	1548/1522	1520-2	1528-9	42,471 lots
Copper, Grade A (£ per tonne)						Ring turnover 17,475 tonne
Cash	1412-4	1397-9	1404/1402	1404-5		
3 months	1385-6	1373-5	1386/1378	1382-4	1385-6	82,287 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1335-45	1330-40		1330-40		
3 months	1325-35	1320-30		1320-30		37 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	656-9	650-2		651-4		
3 months	670-3	664-8		665-8		464 lots
Lead (£ per tonne)						Ring turnover 10,225 tonne
Cash	361-3	365-7	363	363-4		
3 months	367-9	371-2	372/365	368-9	368-9	11,285 lots
Nickel ($ per tonne)						Ring turnover 792 tonne
Cash	13200-50	13200-350	13250/13200	13150-200		
3 months	12800-50	12825-75	12950/12800	12750-800	12800-25	8,985 lots
Zinc ($ per tonne)						Ring turnover 9,175 tonne
Cash	1355-60	815-7	1365/1367	1366-7		
3 months	1323-5	804-5.5	1335/1323	1329-30	1329-31	21,903 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	69.0	67.0		
Feb	77.0	76.5		
Apr	98.5	95.5	99.5	97.2

Turnover 370 (255) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	173.00	171.00	173.00	171.00
Dec	183.00	178.00	183.00	
Feb	182.00	183.00	183.00	
Apr	186.00	180.00	186.00	

Turnover 305 (103) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Sep	1575	1385	1385	1370
Oct	1505	1500	1514	1480
Jan	1537	1553	1544	1513
Apr	1565	1570	1570	1560
Jul	1385	1385	1375	
BFI	1272	1272		

Turnover 356 (221)

FRUIT AND VEGETABLES
ENGLISH DISCOVERY apples remain available at 30-50p, and English Howgate Wonders for cooking are 30-45p, while Bramley cookers are 30-50p, reports FFVIB. Greek Thompson and sultana seedless grapes are 40-80p and New Zealand kiwifruit are 15-25p. English Victoria plums are the weeks best buy at 30-55p. Plenty of cauliflowers are in the shops at 25-50p and calabrese is down to 40-80p. Stick beans remain top quality at 40-65p and all types of mushrooms are good at 40-75p a ½lb. Large cucumbers are 30-60p, and tomatoes are plentiful at 30-52p. Round lettuce at 18-28p and British iceberg at 40-75p are both best buys and spring onions are down to 20-40p. Celery is 35-65p and watercress remains at 30-40p.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	430¼-431	257-257½
Opening	429¾-430	256½-256
Morning fix	430.30	256.055
Afternoon fix	430.15	256.036
Day's high	430½-431	
Day's low	429¾-430	
Coins	**$ price**	**£ equivalent**
Maple leaf	443-446	264-267
Britannia	443-446	264-267
US Eagle	443-448	264-267
Angel	441-446	263-266
Krugerrand	430-433	257-259
New Sov.	101-102½	60-60½
Old Sov.	101-102½	60-61
Noble Plat	545.65-552.5	324.6-329.65

Silver fix	p/fine oz	US cts equiv
Spot	389.75	654.75
3 months	401.65	665.25
6 months	413.45	683.90
12 months	436.60	714.90

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2650				122
Aluminium (99.5%)	**Calls**		**Puts**	
2700	49			
Copper (Grade A)	**Calls**		**Puts**	
2300				110
2330		35½		

US MARKETS

Continued speculation about Soviet corn (maize) purchases caused the grain markets to extend their rally in lighter pre-holiday (Labour Day) volume, reports Drexel Burnham Lambert. Sugar continued to rise on commission house and fund buying, in sympathy with soya and corn futures. Gold, silver and copper futures were all quiet with copper and gold trading lower on stop-loss selling and silver extending its rally slightly on pre-holiday profit-taking. Energy, meats and cotton were all trading in a quiet pre-holiday atmosphere.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	430.2	431.3	430.0	430.0
Oct	432.9	434.1	434.0	432.6
Nov	435.8	437.0	0	0
Dec	438.7	439.9	439.7	438.5
Feb	444.9	446.1	445.0	445.0
Apr	450.9	452.1	451.2	450.9
Jun	456.9	458.1	457.5	456.5
Aug	463.2	464.4	0	0
Oct	469.5	470.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	531.4	533.9	533.0	529.0
Jan	536.8	539.2	538.5	536.0
Apr	542.5	544.9	543.0	543.0
Jul	549.2	551.6	549.0	549.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	657.4	655.6	661.5	653.0
Oct	622.4	661.4	0	0
Nov	667.2	666.2	0	0
Dec	672.0	671.0	676.5	668.0
Jan	677.2	676.0	0	0
Mar	687.9	686.4	690.7	684.5
May	699.0	697.4	0	0
Jul	710.2	708.5	716.0	709.5
Sep	721.4	719.5	719.0	719.0
Dec	739.0	736.5	743.0	740.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	101.80	103.80	103.50	101.50
Oct	100.80	102.90	0	0
Nov	99.80	101.95	0	0
Dec	98.80	101.00	100.60	98.60
Jan	97.20	199.40	96.90	96.90
Mar	94.00	96.40	95.85	93.80
May	91.50	93.60	93.40	92.20
Jul	89.60	91.30	0	0
Sep	87.90	89.30	88.10	88.10
Dec	85.80	87.00	86.00	86.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	15.14	15.18	15.22	15.06
Nov	15.15	15.19	15.25	15.06
Dec	15.18	15.23	15.28	15.10
Jan	15.20	15.26	15.31	15.16
Feb	15.21	15.29	15.34	15.14
May	15.26	15.38	15.35	15.26
Jun	15.33	15.41	15.40	15.33
Jul	15.41	15.44	15.43	15.41

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	4355	4332	4385	4320
Nov	4430	4410	4460	4400
Dec	4495	4470	4520	4470
Jan	4530	4526	4555	4510
Feb	4490	4480	4500	4475
Mar	4355	4330	4360	4325
Apr	4215	4205	4215	4215
May	4120	4120	4120	4120

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1187	1220	1205	1187
Dec	1223	1256	1249	1215
Mar	1221	1254	1245	1218
May	1227	1268	1253	1220
Jul	1247	1294	1280	1247
Sep	1268	1315	1300	1260
Dec	1313	1353	1348	1300

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	122.20	123.25	124.50	121.75
Dec	122.77	123.83	124.50	122.65
Mar	121.50	122.75	123.25	121.30
May	121.50	122.50	122.50	121.25
Jul	121.00	122.25	121.00	121.00
Sep	119.53	119.88	0	0
Dec	120.25	120.01	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.64	10.25	10.65	10.25
Jan	10.31	9.47	9.75	9.65
Mar	10.71	10.27	10.72	10.31
May	10.37	10.00	10.37	10.03
Jul	10.15	9.84	10.16	9.87
Oct	10.00	9.68	10.05	9.75
Jan	9.33	9.01	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	53.06	52.75	53.32	52.85
Dec	51.66	51.60	52.10	51.41
Mar	51.50	51.80	52.14	51.50
May	51.70	51.72	52.30	51.80
Jul	52.00	52.00	52.55	52.00
Oct	52.70	52.85	53.30	52.80
Dec	53.40	53.25	53.75	53.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	191.15	191.00	192.50	190.80
Nov	183.30	183.60	184.75	182.90
Jan	172.30	173.40	173.80	172.10
Mar	169.80	170.60	171.00	169.65
May	168.80	169.25	170.50	170.50
Jul	167.55	167.75	0	0
Sep	166.55	166.70	0	0
Nov	166.55	166.70	0	0
Jan	166.55	166.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 31	Aug 30	mnth ago	yr ago
1898.3	1887.6	1882.0	1668.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	132.51	132.63	131.00	126.58
Futures	136.57	135.86	134.61	131.27

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	869/0	854/4	877/0	866/0
Nov	881/4	867/4	888/0	876/0
Jan	888/0	874/4	894/4	883/0
Mar	890/4	878/2	898/0	887/0
May	877/4	870/0	887/0	876/0
Jul	868/0	859/4	875/0	863/0
Aug	846/0	840/0	851/0	840/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	27.30	26.85	27.55	27.15
Oct	27.52	27.15	27.85	27.40
Dec	28.02	27.67	28.35	27.90
Jan	28.22	28.00	28.60	28.20
Mar	28.80	28.46	29.05	28.60
May	28.80	28.65	29.10	28.80
Jul	28.55	28.40	29.02	28.55
Aug	28.10	27.85	28.50	28.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	270.0	266.7	273.0	270.0
Oct	267.7	265.2	271.1	267.5
Dec	266.2	264.2	270.0	266.0
Jan	263.2	262.2	268.0	263.0
Mar	258.5	258.2	264.0	258.5
May	252.5	254.0	258.0	252.1
Jul	247.5	250.0	256.0	247.0
Aug	240.5	238.5	247.0	239.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	289/0	283/0	294/4	287/4
Dec	301/0	298/4	306/0	300/4
Mar	304/4	300/4	310/0	304/0
May	308/0	302/2	310/0	308/0
Jul	303/0	299/2	307/0	302/4
Sep	282/0	281/4	286/0	282/0
Dec	269/2	270/0	274/0	269/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	399/6	397/4	405/0	397/4
Dec	416/6	415/6	423/0	415/4
Mar	419/4	418/2	425/0	418/0
May	391/4	391/0	400/0	391/0
Jul	365/4	364/4	370/0	365/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.10	71.77	71.97	71.00
Dec	72.07	72.60	72.80	71.92
Feb	72.80	73.40	73.72	72.80
Apr	74.40	74.87	75.15	74.25
Jun	73.70	74.10	74.30	73.60
Aug	71.10	71.50	71.80	71.10
Sep	71.25	71.25	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	38.85	38.56	39.00	38.35
Dec	41.30	41.20	41.55	40.75
Feb	43.92	43.42	43.96	43.30
Apr	43.37	42.82	43.55	42.90
Jun	47.95	47.27	48.10	47.40
Jul	48.65	48.20	48.82	48.20
Aug	47.50	47.02	47.50	0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.07	48.90	49.45	48.70
Mar	49.32	49.25	49.75	49.10
May	51.17	50.97	51.30	50.60
Jul	51.60	51.35	52.25	51.45
Aug	50.02	49.22	51.00	49.35

صورة عن الأصل

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · SINGAPORE

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CANADA

TORONTO

2pm prices September 1

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 1

Continued from page 37

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TOKYO - Most Active Stocks

Thursday 1 September 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	37.72m	830	-26
Kawasaki Steel	28.20m	667	-22
Mitsubishi Oil	18.53m	1,190	+50
Nippon Kokan	18.40m	595	-31
Toshiba	16.55m	1,010	-30
Mitsubishi Heavy	13.83m	820	-25
Koa Fire and Marine	10.46m	1,050	+76
Nisshin Steel	9.48m	1,050	-20
Kobe Steel	9.02m	485	-13
Hitachi	8.57m	1,640	-30

INDICES

NEW YORK — DOW JONES

CANADA — TORONTO

NEW YORK ACTIVE STOCKS

[illegible]

4pm prices September 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.5	16	156	24⅝	23⅞	23⅞	− ¼
10	10	ACM n				312	10	10	10	
12⅛	8¾	ACMIn n1.40e		13.		233	11⅛	11	11	
12⅛	10⅝	ACMSc n1.26		12.		465	11	10⅞	10⅞	+ ⅛
10⅛	8⅞	ACMSp n.17e		1.9		188	9¼	9	9⅛	
28	10½	AGS			20	760	27⅞	27⅛	27⅞	
7⅝	2⅝	AMCA				13	3¾	3⅝	3¾	− ⅛
6½	3⅛	AM Intl				252	5½	5⅜	5⅜	− ⅛
28⅝	17	AM Int pf	2	9.4		7	21½	21⅜	21⅜	− ⅛
60	26½	AMR			8	3455	42⅛	40⅞	41⅝	− ⅞
27	25	ANR pf	2.67	10.		1	25½	25½	26½	+ ½
10½	5⅛	ARX			12	28	7⅞	7⅞	7⅞	− ⅛
70½	35¼	ASA	3	7.9		289	38	37½	37⅞	+ ¼
22⅞	9½	AVX	.08e	.3	11	428	18⅝	18⅛	18⅛	
64⅞	40	AbtLab	1.20	2.6	16	2969	46½	45⅝	46	− ⅝
27¼	15⅜	Abitibi g	1			25	16½	16¼	16⅜	− ⅜
16½	8½	AcmeC	.40	4.2		44	9⅝	9½	9⅝	
9⅝	6⅝	AcmeE	.32b	4.8	47	19	6⅞	6⅝	6⅝	− ⅛
20	14⅛	AdaEx	3.05e	20.		112	15½	15⅜	15⅜	− ⅛
19⅛	6⅞	AdamMl	.24	1.5	16	124	16½	16⅜	16½	+ ⅛
24⅞	7½	AMD				5721	11	10½	10⅝	− ⅝
56⅛	29¼	AMD pf	3	8.9		35	33⅝	33	33¾	− ¼
10⅜	4⅝	Adobe				220	7⅜	7⅜	7⅜	+ ⅛
20	16¼	Adob pf	1.84	10.		8	17⅞	17⅞	17⅞	+ ⅛
12⅛	6⅞	Advest	.12	1.4	16	74	8¾	8⅝	8¾	+ ⅛
62⅝	39½	AetnLf	2.76	5.9	7	2335	47⅛	46½	46⅞	− ½
36¼	20½	AhlPb s	.20	.8		273	26½	26⅛	26½	+ ½
22½	13	Ahmans	.88	5.9	10	2765	15⅜	14⅞	15	
4⅝	1⅜	Aileen				238	4⅝	4⅛	4⅛	− ⅜
53½	29	AirPrd	1.20	2.9	11	2715	41⅝	40½	41½	− ⅛
27½	11⅛	AirbFrt	.60	3.6	22	53	16¾	16½	16⅝	− ⅛
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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29⅛	19⅞	Rorer s	.80	2.3	20	306	35⅛	34⅝	35⅛	−⅛
9⅞	3⅛	Rowan				1169	6⅞	6⅝	6⅞	+⅛
135⅛	94⅛	RoylD	6.82e	6.3	7	3513	106¼	105⅛	105⅝	−1½
13½	5	RoyInt	.15e	1.3	15	256	12⅛	12	12⅛	−⅛
9¼	6¼	Royce	.52e	6.2		89	8⅜	8¼	8⅜	
34⅞	19	Rubmd	.35	1.5	18	1614	22⅝	22¼	22½	+⅛
44⅞	17½	RussBr	.40	2.3	6	116	17¾	17⅝	17¾	
22¼	11	RussTg	.60	4.4	14	227	13¾	13⅜	13½	
18⅜	10⅝	Russell	.24	1.6	12	226	15⅛	15⅛	15⅛	−⅛
40⅛	20	Ryder	.56	2.3	15	x1234	24⅞	24½	24⅝	−⅛
31⅛	17⅞	Rykoff	.68	2.3	15	33	29½	29⅜	29½	
27	11	Ryland	.60	3.2	6	235	15¾	15¼	15½	+⅛
29	7½	Rymer			14	11	10	10	10	
11½	8	Rymer pf	1.17	14.		37	8⅛	8¼	8⅛	
		— S — S — S —								
38¼	27⅞	SCEcp	2.48	7.8	11	2000	32	31½	32	−⅛
17	5	SCOR U	.10e	1.3	5	295	7⅞	7⅞	7⅞	−⅛
12⅞	7⅛	SL Ind	.18b	2.3	16	9	8	7⅞	8	+⅛
43½	20⅝	SPSTec	1	2.3	17	64	43¼	42⅝	42⅞	−⅛
35⅞	21¼	SPX Cp	1.20	3.6	13	76	33½	33	33¼	−⅛
31⅞	13	SSMC			40	228	24⅞	24⅞	24⅝	−⅛
33⅛	16½	Saatchi	1.08e	6.2	7	145	17½	17⅛	17⅜	−⅛
13¼	10	SabnR	1.42e	12.	8	45	12	11¾	11¾	−⅛
19⅝	8	SfgdSc			9	6	16	16	16	−⅛
39½	21¼	SafKln	.30	1.3	21	292	24¼	23⅝	23⅞	−⅛
9	5⅞	SalCas	1.03e	12.		69	9	8¾	8⅞	+⅛
24½	17⅝	StJoLP	1.40	6.4	9	13	22⅜	22	22	−½
16¼	6¼	Salant				56	13⅝	13⅝	13⅝	
89	61	SallieM	.54	.7	16	661	77⅞	76⅞	77⅛	−⅛
38	18⅝	Salomn	.64	2.7	18	2320	23½	23¼	23⅜	−⅛
35⅞	28¼	SDieGs	2.80	7.5	11	2168	u38	34¾	36⅞	−⅛
9½	6⅝	SJuanB	.40e	5.4		185	7⅜	7¼	7⅜	+⅛
14¾	9½	SJuanR			13	29	12½	12¼	12¼	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		— X — Y — Z —								
36	19⅞	XTRA	.72	2.1	15	40	34⅝	34	34¼	−⅝
29⅜	19½	XTRA pf	1.94	6.8		53	28½	28	28½	−¼
52¼	17½	Yorkte			15	82	52	52	52	
5⅞	2¼	Zapata				931	3⅛	2⅞	3⅛	+⅛
37	13½	Zayre	.40	1.9	141	6375	21⅝	21	21⅛	−¾
16⅛	8¼	Zemex	.40	3.1	16	2	12⅝	12⅝	12¾	
30⅞	10	ZenithE				2467	22⅛	20¾	20¾	−½
10⅞	9½	Zeuis n	.28e	2.8		328	10	9⅞	9⅞	−⅛
8⅝	1	viZenLb				300	1⅛	1⅛	1⅛	−⅛
21⅝	12⅛	ZenNt	.80b	4.2	9	116	19⅜	19⅛	19¼	−½
18⅝	11⅛	Zero	.40	2.6	13	47	15¾	15¼	15⅜	−⅛
28½	15	Zurnin	.88	3.0	14	206	22⅞	22⅝	22⅝	+¾
11¾	7⅛	Zweig	1.05e	10.		204	10⅛	10	10⅛	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks *plus the current week, but not the latest* trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless *otherwise* noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices September 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices September 1

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

AMERICA

Dow hit by Tokyo decline and jobless rate worries

Wall Street

EQUITIES fell yesterday on Wall Street as the stock market became troubled by the outlook for interest rates and recent weakness in Japanese stocks, *writes James Buchan in New York.*

The Dow Jones Industrial Average, which opened at 2,031.65, dipped briefly below the 2,000 level in the course of a morning's trading which was heavy by the torpid standards of the last two weeks. However, trade slackened in the afternoon and the Dow recovered a little to end the day down 29.34 at 2,002.31. Volume was 145.68m, slightly higher than on Wednesday.

Traders said that the market suffered a new bout of unease about the prospects for US and international interest rates. The main concern is that today's report on unemployment in August might show that the economy is growing too fast for the taste of the Federal Reserve, and another round of tighter money may be in the offing.

Current expectations in the market are that the roster of employed people will have increased about 225,000, but the jobless rate will be unchanged at 5.4 per cent.

Traders said that any employment figure much higher than 250,000 would upset the market and some estimates are as high as 300,000. However, this is not considered likely. They also said that yesterday's early fall in stocks was exaggerated by programme trading, where a small discount in September stock index futures prompted the heavy sale of stocks and the purchase of futures.

Other markets waiting as anxiously for the jobs data were more steady, with bond prices unchanged or down only slightly and the dollar firm.

The stock market was also unsettled by the sharp drop in the Tokyo stock market overnight. The Nikkei index dropped 431.69 points amid renewed speculation that Japanese interest rates might have to rise to prop up the yen exchange rate against the dollar.

The dollar continued strong in light New York trading, though the market is apparently wary of central bank intervention. By the end of trading, the dollar was trading at Y136.30, down from its morning highs, though it advanced strongly against sterling. Trading in the bond market was also quiet, with the Treasury long bond unchanged to yield 9.30 per cent.

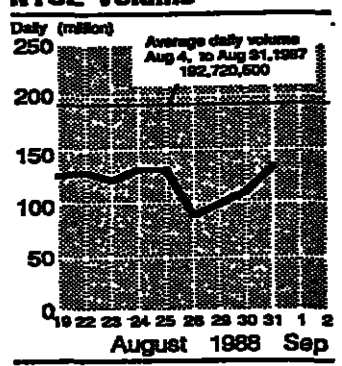
Amid featured stocks, Gould, which is being taken over by Nippon Mining of Japan for \$23¾ a share, fell \$¼ to \$22¼. Technology issues were again among the weakest. IBM was down \$1¼ at \$110¼, while Unisys was down \$⅝ at \$31⅝.

Digital Communications Associates, which has been in headlong retreat since forecasting a sharp fall in revenues, dropped a further \$4⅝ to \$21⅛. Honeywell was down \$1 at \$57¾ after announcing it would sell four businesses. NCR rose \$2 to \$57¾ on rumours that it might buy in more shares.

Tonka, which said on Wednesday it might make a loss this year, fell \$1⅛ to \$9¼.

May Department Stores, which has begun a stock buyback, rose \$⅝ to \$35½. Other retailers, which announced generally higher August sales yesterday, were mostly weaker.

NYSE Volume



Sears Roebuck fell \$½ to \$35, F.W. Woolworth was down \$1⅝ at \$47⅞ and Wal-Mart dropped \$¾ to \$29⅞.

Among blue chip stocks, General Motors fell \$1 to \$71⅞, USX was down \$⅞ at \$27⅝, Philip Morris was off \$¾ at \$91⅛ and Boeing lost \$⅝ to \$58⅞.

Canada

GOLDS and base metals were badly hit in Toronto,as share prices posted a broad loss in quiet trading.

The composite index dropped 22.6 to 3,263.2 as declines swamped advances by 446 to 242 on light turnover of 20.9m shares.

Base metals were broadly lower. Alcan Aluminium dropped C\$⅝ to C\$36¾, Inco sank C\$1 to C\$35¼ and Falconbridge weakened C\$⅝ to C\$21½.

ASIA PACIFIC

Nikkei slumps following yen's fall

Tokyo

THE RAPID fall in the yen sent equities plunging in Tokyo yesterday and the Nikkei average suffered one of its heaviest falls of the year in continued low volume, *writes Michiyo Nakamoto of Jiji Press.*

The Nikkei dropped 597.80 points in morning trading – its second biggest fall this year – to dip below the 27,000 level for the first time since April 22. However, share prices picked up slightly just before the morning close and the recovery continued in the afternoon, with the Nikkei ending down 431.69 at 26,934.26 – its third worst closing level this year. On August 10, it tumbled 615 points and on July 19 it lost 513.

Yesterday's high was 27,329.40 while the low was 26,701.44. Declines far outnumbered advances by 813 to 113, with 110 issues unchanged. Volume remained very thin at 499m shares compared with 414m on Wednesday.

In London, Japanese shares slipped a little further, with the ISE/Nikkei index off 3.75 at 1,754.81.

The greater-than-expected fall in the yen against the dollar triggered fresh fears of rising interest rates in Japan. "This kind of ambiguity is the worst kind of atmosphere for the market," said Mr Norio Watanabe, chief portfolio manager at Credit Suisse Investment Advisory.

The lack of volume showed that, just as in the aftermath of Black Monday last October, many investors had chosen to hang on to their shares rather than join a selling rush, he added.

Heavily traded big capital steels lost ground. Nippon Steel, the most active stock with 37.7m shares exchanged, fell Y26 to Y630. Kawasaki Steel, the second most active with 28.2m shares, lost Y32 to Y667.

Property issues mostly fell, after recent rises on the strength of their resort-related businesses. Mitsubishi Estate lost Y130 to Y2,200 and Mitsui Real Estate shed Y70 to Y2,130.

Some issues that had attracted buying recently on speculative interest stayed strong. Toppan Printing advanced Y20 to Y1,900 and Dainippon Printing moved up Y30 to Y2,580. Printing companies have been watched since it was reported early this week that the Japanese Emperor was ill. The Emperor's death would necessitate the re-printing of documents and forms.

Terumo, which has surged higher after an article reported that a medical team it is backing has developed a cure for liver cirrhosis, advanced a further Y110 to Y2,240.

Citizen Watch, another company that has been attracting speculative interest, gained Y23 to Y885.

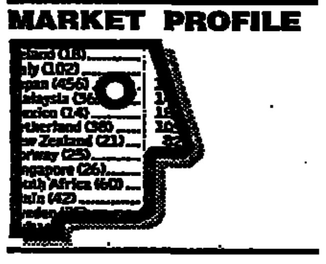
Mitsubishi Oil, the third most active share with 18.6m shares traded, rose Y50 to Y1,190. The company has seen considerable gains recently on rumours that Saudi Arabia has shown interest in the company. Although Mitsubishi denies the rumours, there has been no let-up in buying of the shares, which also stems from expectations of a restructuring of Japan's oil industry.

Sony and Pioneer remained firm. Analysts said these high-technology issues were propped up to keep the market from crashing. Sony added Y80 to Y6,770 and Pioneer rose Y80 to Y3,700.

The bond market in Tokyo also weakened as worries about higher interest rates intensified. The yield on the benchmark 105th issue closed at 5.490 per cent in large-lot trading, up 0.130 of a point.

The equities market in Osaka showed a similar lack of confidence with the OSE average falling 420.50 to 25,987.95. Volume was considerably lower at 31.21m shares compared with 40.09m shares on Wednesday. Asahi Glass, the most heavily traded issue at 2.5m shares, added Y50 to Y1,880.

MARKET PROFILE



THE MARKET profiles series that has run throughout the summer finished yesterday with an article on the Tel Aviv exchange.

The following 29 markets were covered in the series; their publication dates are given in brackets:

Switzerland (June 28); Amsterdam (June 29); Paris (June 30); Madrid (July 1); Helsinki (July 5); Frankfurt (July 7); Milan (July 8).

Australia (July 12); New Zealand (July 13); Hong Kong (July 14); Singapore (July 15).

Brussels (July 19); Stockholm (July 20); Oslo (July 21); Copenhagen (July 22).

Johannesburg (July 27); Mexico (July 28); Brazil (July 29).

Dublin (August 3); Lisbon (August 4); Vienna (August 5); Athens (August 11); Istanbul (August 12).

Taiwan (August 16); Kuala Lumpur (August 17); South Korea (Aug 19); Thailand (Aug 23); Philippines (August 24); Tel Aviv (Sept 1).

Roundup

TOKYO'S steep fall knocked the wind out of most of the Asian Pacific markets, while Australia was dealt the additional blow of a ½ point rise in the rediscount rate. One exception was Seoul, which achieved a late rally following encouraging domestic news.

AUSTRALIA dropped sharply in what brokers BZW Meares described as a "harrowing" day's trading. The selling was sparked off by the Reserve Bank's decision to raise the rediscount rate by a ½ percentage point to 13.2 per cent and news of the Nikkei's plunge in Tokyo.

The All Ordinaries Index fell 29.1 to 1,541.4 on turnover of 118.09m shares worth A\$183.48m. The slump would have been steeper but for some late bargain buying by local investors.

Leading industrials were worst hit. Coles Myer lost 35 cents to A\$10.20 and News Corporation moved 30 cents lower to A\$10. Banks, insurances and mining stocks were also sharply weaker.

Even some good company results were unable to halt the slide. FAI Insurance, which reported a 50.8 per cent rise in annual profits to A\$171.1m, lost 5 cents to A\$4.30, while Western Mining's 330 per cent rise in interim profits to A\$359m could not prevent its share price from ending the session 16 cents down at 5.58.

HONG KONG was also easier in sympathy with Tokyo, but an afternoon rally regained some of the lost ground and the Hang Seng index closed 10.48 down at 2,433.32. At one stage in the morning, the index had dropped 35 points, but news of an improvement in the Nikkei sparked the recovery.

The most actively traded stock was Hutchison Whampoa, down 5 cents at HK\$8.15. HK Hotels shed 2 cents to HK\$4.45 after revealing it was buying half of a luxury hotel project in London, while Cathay Pacific bucked the trend to improve 5 cents to HK\$8.05.

SINGAPORE initially followed Tokyo down before investors returned late in the session to pick up bargains. The Straits Times Industrial Index closed just 4.78 down at 1,031.81, well above its earlier low of 1,017.94. Turnover, at 28m shares, was 5m below Wednesday's total.

Again, institutional and overseas investors, worried by the performance of overseas markets, stayed away, pending Saturday's general election.

WELLINGTON was another market hit by the declines in Tokyo and Australia. Shares fell sharply, erasing gains made in the previous two sessions. The Barclays index shed 38.01 to 1,988.43.

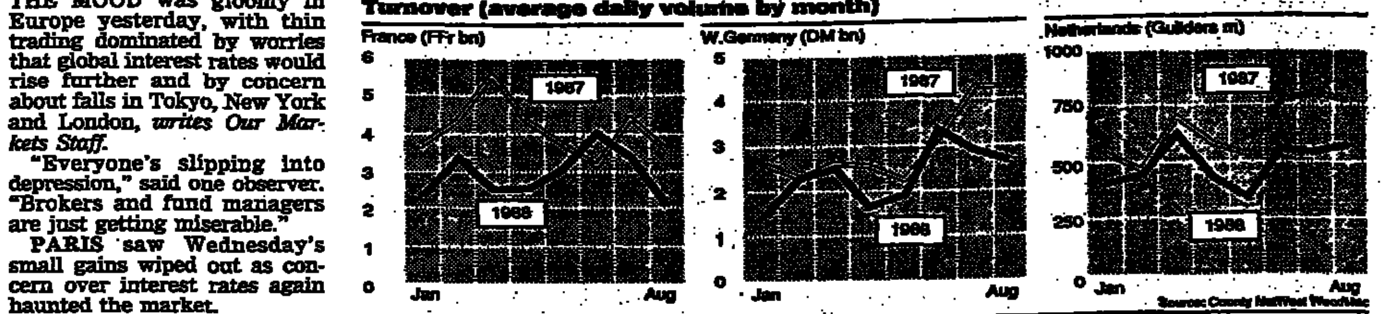
MANILA saw Wednesday's rise wiped out by profit-taking amid an absence of encouraging news. The composite index dropped 11.3 to 774.85.

SEOUL, however, rallied late in the session, cheered by the Government's decision to delay the issue of Monetary Stabilisation Bonds.

EUROPE

Fear of tighter credit sours mood

Turnover (average daily volume by month)



THE MOOD was gloomy in Europe yesterday, with thin trading dominated by worries that global interest rates will rise further and by concern about falls in Tokyo, New York and London, *writes Our Markets Staff.*

"Everyone's slipping into depression," said one observer. "Brokers and fund managers are just getting miserable."

PARIS saw Wednesday's small gains wiped out as concern over interest rates again haunted the market.

The OMF 50 index lost 4.57 to 342.69 but was off its low of 341.86. Some late buying interest was reported from the UK despite Wall Street's early weakness, but this was seen as an aberration in an otherwise nervous and cautious market.

Volume was said to be similar to Wednesday's FFr710m. The CAC General index, based on opening prices, was up 0.6 at 348.3.

Perrier lost FFr8 to FFr925 after rising recently on takeover speculation and perceived benefits for exporters from the stronger dollar. LVMH shed FFr53 to FFr2,825. It has also been rising and there was talk that a Swiss investor was interested in taking a small investment stake of about 1 per cent.

Pernod Ricard fell FFr24 to *FFr1,051 after revealing a 2.8* per cent holding in Irish Distillers.

Privatisation stock CGE moved against the trend, adding FFr5 to FFr318 amid speculation its major shareholders might be adjusting their positions.

FRANKFURT finished slightly easier, clouded by the sharp overnight fall in Tokyo, weakness in London and New York and the threat of higher interest rates. The real time DAX index lost 12.37 to 1,152.99 in volume of DM1.9bn, still very low but the best level so far this week. The FAZ index dropped 5.81 to 478.50.

News was thin on the ground and price movements were limited, although banks and top blue chips showed the largest falls. Metals group Preussag eased DM3 to DM168 after saying that profits had improved in the second quarter but giving no figures.

Bonds welcomed a steady D-Mark and the Bundesbank's allocation of the variable rate tranche of its securities repurchase pact at between 4.50 per cent and 5.15 per cent. The yield on the latest 10-year federal bond was unchanged at 6.78 per cent.

MILAN edged up in thin trading, with interest focused on the uninspiring debut of Ferruzzi Finanziaria, the new holding company for the Ferruzzi group.

The shares started around L2,950, above the theoretical offer price of L2,920 based on the old price of the now subsumed Iniziativa Meta. But they then fell back despite some buying support to close at L2,893, dropping to L2,865 after hours, which one analyst said would guarantee the listing a bad press today.

The market was described as "like a desert", with domestic investors still on holiday and local institutions and foreigners alike awaiting news from the Government on planned public spending cuts, due by the end of this month. "Everyone is waiting for someone else to take the first step," said the analyst. Most trading was in blue chips Fiat, up L45 at L9,245, and Generali, L300 higher at L91,550.

ZURICH lost ground as investors reacted to gloomy news from Wall Street and Tokyo by selling cheaply. "Swiss brokers remain pessimistic about the outlook for world equity markets," said one analyst. The Crédit Suisse index eventually closed 4.8 down at 464.3 in light trading.

Switzerland's largest advertising agency, Publicitas, featured after rejecting a bid from private property company JS Holding. Some speculators anticipated the offer for Publicitas, and had been picking up both the registered shares and participation certificates (non-voting stock) in the company in recent weeks. News that JS Holding is only bidding for the registered shares left some of them exposed, and after yesterday's firm rejection of the offer, Publicitas' participation shares fell SFr250 to SFr2,550.

AMSTERDAM was dominated by cautious trading prior to the release of US unemployment figures today. The CBS all-share index eased 1.1 points to 93.5 as pessimistic dealers marked prices down.

One of the few stocks in demand was Telegraaf, the publisher, which announced late on Wednesday half-yearly profits of Fl 31.65m, 49 per cent up on the same period last year. Telegraaf gained Fl 16 to Fl 302.

STOCKHOLM broke its two-day run as uncertainty preceding next month's general election and concern about the stability of overseas equity markets returned to dominate thin trading. International and domestic institutional investors continue to stay on the sidelines.

The Affärsvärlden General Stock Index closed 2.9 points down at 854.8 as turnover struggled to reach SKr184m.

Volvo, after Wednesday's well-received interim results, was one of the few leading stocks to attract buying interest and the "B" shares closed SKr2 higher on SKr321. Pharmaceuticals group Astra slipped SKr1 to SKr182 before announcing a 13 per cent rise in half-yearly profits to SKr759m.

BRUSSELS eased only slightly as interest in engineering group Tractebel stimulated speculative buying in related stocks. By the close the cash index was off 1.4 at 4,877.8.

Rumours continued to circulate that a Belgian investor is building a stake in Tractebel, and it gained BFr50 to BFr6,190 as 35,825 shares changed hands. Two leading stocks with sizeable stakes in Tractebel also advanced. Electrafina, which holds 14 per cent, added BFr80 to BFr7,580, while Sofina, which indirectly holds 6.7 per cent, climbed BFr250 to BFr12,150.

Among holding companies, Sidro firmed BFr15 to BFr1,935, while Cobepa fell BFr50 to BFr5,100 and GBL slipped BFr15 to BFr3,310.

Chemicals were mixed, with Solvay easing BFr50 to BFr12,300 and UCB adding BFr20 to BFr9,030.

Blue chip oil group Petrofina ended unchanged in quiet trading at BFr12,675.

MADRID was unnerved by a ¼ point rise in the one-year treasury bills rate to 10.5 per cent. This was taken as a bad signal by the market, said one analyst, and reinforced the downward trend amid fears of further interest rate rises in the near future. The general index lost 2.25 to 280.50 in thin volume.

OSLO saw investors slowly coming back to the market and prices closed mixed in moderate trading. The all-share index slipped 0.78 to 274.66.

London

FEARS of higher interest rates and unease over the overnight fall in Tokyo and Wall Street's lower opening combined to push London down. The FT-SE 100 index closed 23.1 lower at 1,730.5.

Irish Distillers moved up against the trend following confirmation that Pernod Ricard of France had taken a 2.8 per cent stake.

SOUTH AFRICA

A FIRM bullion price helped gold stocks in Johannesburg close unchanged to higher in generally dull trading.

Vaal Reefs gained R1 to R254 and Kloof added 50 cents to R31. Diamond stock De Beers was steady at R36.85, while platinum Rustenburg rose 50 cents to R34.25 and mining financial Anglo American was up 25 cents at R52.75.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY SEPTEMBER 1 1988					WEDNESDAY AUGUST 31 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (86)	139.33	-2.7	123.43	116.25	4.01	143.23	126.10	118.55	152.31	91.16	168.10
Austria (16)	86.16	-0.2	76.33	84.10	2.49	86.36	76.03	84.34	98.18	83.72	98.32
Belgium (63)	111.44	+0.4	98.72	109.51	4.61	110.99	97.71	109.48	139.89	99.14	134.29
Canada (128)	117.03	-0.5	103.68	104.82	3.27	117.67	103.59	105.61	128.91	107.06	136.81
Denmark (39)	120.62	+0.1	106.86	118.16	2.52	120.54	106.13	118.25	132.72	111.42	123.16
Finland (26)	116.67	-0.2	103.36	109.21	1.57	116.94	102.95	109.36	139.53	106.78	–
France (128)	89.13	-0.6	78.97	89.06	3.65	89.66	78.93	89.73	99.62	72.77	116.57
West Germany (100)	73.53	-1.0	65.15	71.64	2.58	74.29	65.40	72.51	80.79	67.78	104.29
Hong Kong (46)	99.26	-0.6	87.94	99.47	4.57	99.81	87.87	100.01	111.86	84.90	147.36
Ireland (18)	127.17	+0.2	112.67	125.49	3.78	126.92	111.74	125.37	144.25	104.60	145.31
Italy (100)	70.31	+0.2	62.29	73.31	2.74	70.16	61.77	73.11	81.74	62.99	87.71
Japan (456)	152.47	-1.7	135.08	131.46	0.55	155.11	136.56	133.83	177.27	133.61	149.67
Malaysia (36)	133.54	-0.6	118.31	137.89	2.69	134.28	118.22	138.32	154.17	107.83	168.42
Mexico (13)	152.09	+0.3	134.74	380.22	1.43	151.66	133.52	379.14	180.07	90.07	374.62
Netherland (36)	99.71	-0.9	88.33	96.34	4.76	100.58	88.55	97.35	110.66	95.23	127.48
New Zealand (20)	70.70	-4.0	62.63	62.41	6.00	73.67	64.86	63.66	84.05	64.42	128.72
Norway (25)	110.10	-0.1	97.54	103.60	2.89	110.26	97.07	103.64	132.23	98.55	177.38
Singapore (26)	118.57	-0.2	105.05	111.69	2.36	118.83	104.62	111.93	135.89	97.99	163.71
South Africa (60)	110.00	-0.6	97.45	86.65	4.97	110.64	97.41	86.37	139.07	109.87	187.41
Spain (43)	139.10	-0.7	123.23	131.15	3.45	140.09	123.33	131.86	164.47	130.73	158.99
Sweden (35)	111.81	-0.3	99.05	107.26	2.66	112.17	98.75	107.61	125.50	96.92	128.52
Switzerland (55)	74.13	-0.7	65.67	72.68	2.35	74.63	65.70	73.33	86.75	74.13	109.62
United Kingdom (324)	120.66	-2.0	106.89	106.89	4.75	123.09	108.36	108.36	141.18	120.66	153.91
USA (580)	105.69	-1.2	93.63	105.69	3.76	106.96	94.17	106.96	112.47	99.19	130.80
Europe (1010)	98.99	-1.2	87.70	92.84	3.92	100.20	88.22	93.77	110.82	97.01	127.98
Pacific Basin (670)	149.80	-1.7	132.71	129.53	0.77	152.42	134.19	131.84	172.26	130.81	150.20
Euro-Pacific (1680)	129.49	-1.6	114.72	114.90	1.74	131.55	115.81	116.67	147.53	120.36	141.38
North America (708)	106.29	-1.2	94.16	105.66	3.73	107.53	94.66	106.90	113.29	99.78	131.12
Europe Ex. UK (686)	85.44	-0.6	75.69	84.21	3.22	85.92	75.64	84.79	92.99	80.27	111.89
Pacific Ex. Japan (214)	117.65	-2.0	104.23	105.40	4.17	120.06	105.70	106.91	128.27	87.51	156.77
World Ex. US (1881)	128.89	-1.5	114.19	114.40	1.82	130.88	115.22	116.11	146.49	120.26	141.87
World Ex. UK (2137)	119.79	-1.4	106.12	111.82	2.24	121.43	106.91	113.39	131.77	111.77	135.94
World Ex. So. Af. (2401)	119.91	-1.4	106.23	111.51	2.45	121.63	107.08	113.09	132.39	113.26	137.21
World Ex. Japan (2005)	104.24	-1.2	92.35	101.16	3.83	105.51	92.89	102.28	112.43	100.00	131.74
The World Index (2461)	119.85	-1.4	106.18	111.35	2.46	121.56	107.02	112.91	132.38	113.37	137.53

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115 037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local).

SECTION III

FINANCIAL TIMES SURVEY

Kent is facing upto the construction and opening of the Channel Tunnel with mixed feelings. The county wants to reap the economic benefits but also ensure that this new artery and other growth pressures do not ruin "the Garden of England". **Hazel Duffy** reports

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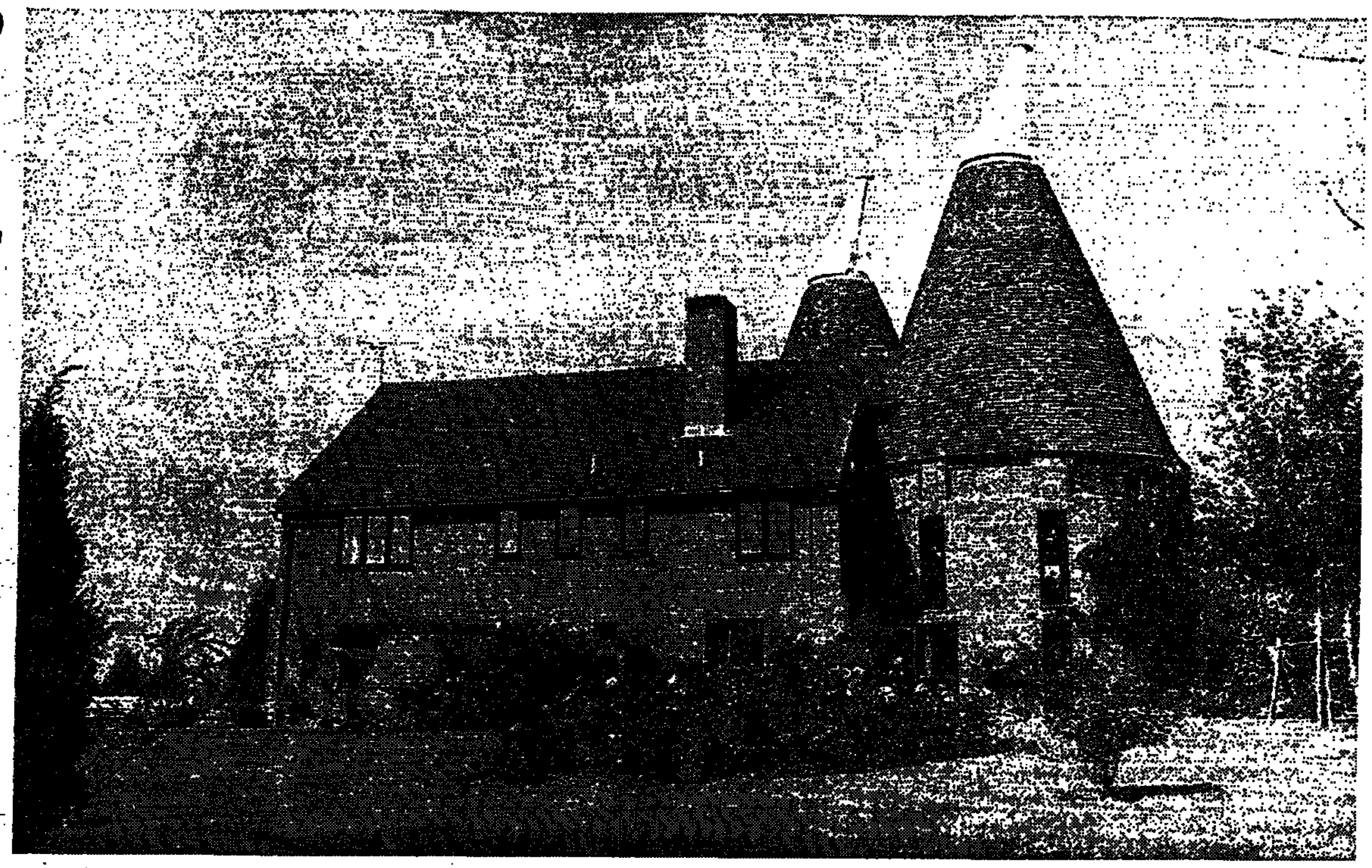


New face of Kent: a twin turret oast house near Tenterden now converted into a family house.
Picture by Ashley Ashwood

KENT

A tunnel in the Garden

"WE HAVE to make the best of a bad job. We have to get what benefits we can, but we are determined to keep Kent as it *has* been in the past, while bearing in mind that there must be some changes."

So Mr Tony Hart, leader of Kent County Council, presents the dilemma that Kent unwittingly finds itself in. The Channel Tunnel, due to be opened in 1993, cannot be ignored in terms of the demands that it will make on the county. Nor should it be.

The declining economic structure of East Kent cries out for jobs. But the natural direction of Channel traffic and industry will not be towards that area. On the other hand, if people in that part of Kent dig their heels in and say no to development, it will fly through the county to more receptive parts of the South East, and to northern France.

The Conservative-led county council has, reluctantly, accepted that it cannot ignore the forthcoming intrusion which will surface at Cheriton, near Folkestone.

"It is no good opposing all these people who have the power to interfere with our county. We must construct good relationships with them," Mr Hart said. He cited the agreement with the EuroTunnel contractors, whereby 80 per cent of the materials are being carried by rail, as an example of what good relations can achieve.

Unlike in France, the Tunnel traffic in Kent will be divided between two terminals. Folkestone is the planned location for Eurotunnel's shuttle trains, and Ashford the proposed site of the passenger rail terminal (along with special facilities at Waterloo, and possibly Kings Cross for passengers from the north).

Rail track between London and the coast will be upgraded, but decisions on a high-speed rail link have still to be made by British Rail. There are various links on paper, but each would involve some interference with the environment. As some compensation, there will be considerable pressure from Kent's long-suffering commuters for improvements to their services.

Road communications will be improved, the long-awaited construction of the M20 gap between Maidstone and Ashford going ahead. Similarly, the widening of the motorway around Maidstone is in the programme. In the north west of the county, work has started on the Dartford bridge which will take some of the pressure off the Dartford tunnel which has increased since the opening of the M25.

But the county council argues that Kent needs much more, including better road links between the north of the county and Canterbury and Ashford. These are all the more necessary if the remoter parts of the county are to have a chance of benefiting from the cross Channel link. The superior road system in the Nord-Pas de Calais is cited as evidence.

The future of Kent cannot be projected without reference to the French region. They could not be more dissimilar. The Nord-Pas de Calais has more in common with the industrial north of England. Substantial acreage for development is available since the closure of much of its steel and heavy engineering industry. Government and regional grants are available to entice inward investment.

By comparison, only the area of Kent around Deal, where all but one of the Kent coalfield collieries have closed, can offer financial assistance to industry; though Kent has the advantage over the Nord-Pas de Calais that labour costs overall are lower.

Co-operation between the local authorities on each side of the English Channel is remarkably good, even though one is Conservative-led and anxious to maintain the green beauty of its shire and the other solidly Socialist and suffering the after-effects of industrial restructuring.

A joint submission has been made to the European Commission for help towards preparing both areas immediately fringing the Channel for the opening of the Tunnel. Training people, both for construction of the Tunnel and afterwards, has been given a high priority in the application. Brussels has indicated its interest. The two areas have signed a trans-frontier agreement to enable them to pursue mutually-agreed policies.

Dr Roger Vickerman, head of transport studies at Kent University — which is carrying out a joint study with Lille University on the impact of the Channel Tunnel — points out that Kent is also poised to benefit from the influence of quite different developments, particularly the spillover of commerce and industry along the Eastern Thames Corridor and other parts of the county from the much more developed parts to the west and north east of London.

Considerable emphasis has been put on the Channel Tunnel, but other factors could well be seen in retrospect to have had a much greater influence on the economic structure of the county.

The completion of the M25 has already had a major impact on the western half of Kent, making it more accessible to other regions of Britain as well as to the area immediately around London. This is shaping up in the form of developments in Dartford in particular, and to the east in the Medway towns.

The advantages of land in Kent cheaper than along the M4, plus the tax and rates incentives offered by the Enterprise Zone which part of north west Kent gained in 1984, have focused considerable development activity on this area. The sort of heavy industry typical of the Thames estuary — chemicals, paper and board, oil refining, cement, electricity generation — are giving way to newer industries. Land in some of the more attractive parts of the enterprise zone fetches £350,000 an acre. In the Gillingham Business Park, for instance, most of the planned 1m square feet of space is now under development.

Industry, however, will continue to be important in this area. A planning application is awaited for a one of the next generation of power stations to be built at Kingsnorth, for instance, while the outline plans for a new port on the Isle of Grain illustrates the scope that still exists in traditional industry for Kent.

To the south east, Ashford was defined as a growth area by the county council many years ago. In the main, that growth has not happened, although it has been earmarked for warehousing and distribution outlets. Ashford wants good quality industry as well and has put forward a science park in co-operation with the university.

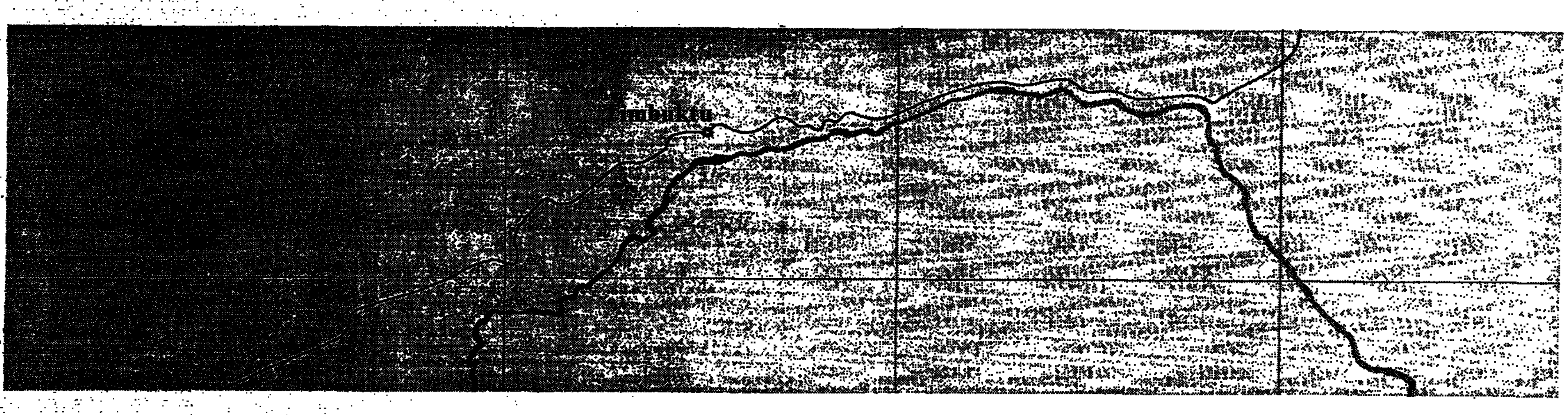
The need to allocate land for additional housing in the South East, however, will be a major consideration for all local authorities in the next few years. Proposals have been submitted for new villages in certain areas, including around Ashford. Tussles over the amount of housing to be allocated by Ashford emerged from Kent's proposed amendments to its structure plan. They also demonstrated some of the tensions surfacing in Ashford and other parts of the county between the pressures for development and the desire to conserve.

"We have to find the best land to be developed rather than developing the best land. There is a quite lot of land that can be developed without raping the beauty of the county. The real danger would be if we did not provide the right sites. People would leave and work in France," said Mr Hart. "Kent is not for the faint-hearted now," he added with feeling.

Development in Kent will not concern only incomers. If the county is to take advantage of its proximity to the Continent, its existing businesses need to gear up to the opportunities of the single European market as well as the Tunnel.

Over 8,000 companies have been asked to become members of the Kent Business Federation, a new venture involving chambers of commerce which will act as catalyst and co-ordinator in developing the county's business network. A new export centre has been set up to advise companies considering new markets. The Federation, set up in the early sum-

Continued on page 6



ENTERPRISE ZONE

A focus for development

WITH 80 PER CENT of the UK's exports to Europe passing through Kent's autoroutes and providing easy access to the M25 motorway, the region shows every sign of an economy on the rebound.

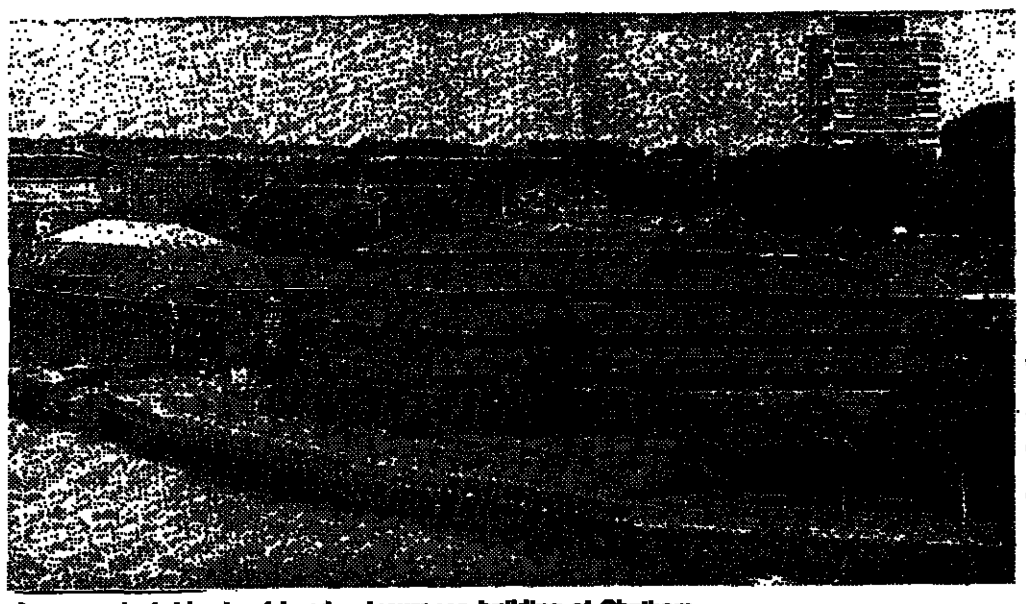
The North-West Kent Enterprise Zone has played a useful role as the focus for development in the Chatham and North Kent area. The area was amongst the first and hardest to be hit by the early 1980's recession. In 1981 Kent County Council decided to set up the Kent Economic Development Board, spurred by the closure of 10 major local companies which resulted in an unacceptably high level of unemployment.

The North Kent campaign was started in 1981 by three councils – Rochester-upon-Medway, City Council, Gravesham Borough Council, and Gillingham Borough Council.

The North-West Kent Enterprise Zone was designated on October 31, 1984, comprising of five sites totalling 310 acres (125 hectares). They encompass:-

- Springhead Enterprise Park, a 27-acre greenfield site close to Gravesend at Northfleet, half a mile from the main A2/M2 trunk road which runs from London to Dover.
- Imperial Business Estate, a 44-acre site to the west of central Gravesend, bordering the river Thames and having deep-water wharf facilities.
- Temple Industrial Estate, an established industrial area to the west of the River Medway and to the south of Strood town centre, covering some 58 acres.
- Medway City Estate, situated on the northside of the River Medway, to the east of Strood - 77 acres of this 150-acre estate has enterprise zone status.
- Gillingham Business Park, some 35 miles from central London but within two miles of the M2 motorway. While three phases of development built between 1979 and 1983 have been excluded from the enterprise zone, 105 acres benefit from the status.

A sixth area was granted enterprise zone status in October 1986 in Chatham, in the wake of the rundown and closure of the town's naval dockyard with the loss of some 7,500 jobs. Chatham Maritime overall covers 300 acres of the former naval dockyard but only 60 acres has EZ status.



A new arrival: Lloyds of London insurance building at Chatham

The benefits for companies already located or moving into enterprize zones include exemption from local authority rates for upto 10 years from the date of zone designation, 100 per cent capital allowances on the construction, extension or improvement of any industrial or commercial building within the enterprise zone, simplified planning controls, priority for certain customs facilities, exemption from industrial training board levies and requirements, and reduction in government requests for statistical information.

"Enterprise zone status doubled the number of business inquiries coming into the area from an average of 15 a week," according to Mr David Holmwood of the Medway Development Office.

"Some companies liked the area so much that they decided to move in immediately, even before the enterprise zone sites were ready. About 120 companies came into the area, of which 30 then went into the zone.

Enterprise zone status actually helped the unzoned areas more in the first year than it did the enterprise sites themselves. Up until then we had had considerable difficulties in persuading investors and developers to come to North Kent. It was regarded as an area of closures and recession.

"Suddenly we had 160,000 sq ft of new premises, which began to fill up rapidly – that in itself started to attract more developers. Companies like London and Edinburgh Trust started to move in," Mr Holmwood notes.

Over 600 companies have now moved into the North Kent area including Blackhorse Insurance, Rediffusion, Plessey, Tiffany Frozen Products, Burnhill UK, distributor for Italian white goods manufacturer, Zanussi, and the Overseas Development Agency's Natural Resources Institute.

Significant overseas companies have also moved into the area like Fisher Control, part of the Monsanto Group, a Norwegian company, Ling Industries, Rodenstock, the German opticals giant, Hewy, another German company, Fugi Seal from Japan, Sonae, a Portugese company and Vaillant, another German subsidiary company which moved from the Hounslow area.

The loss of 7,500 jobs at the naval dockyard in 1983 swelled the unemployment figures which already stood at 19,800. Today this has come down to 10,000 or 7 per cent unemployed.

About 15,000 new jobs have been created as a result of enterprise zone status claimed Mr Holmwood – 4,000 from new start up companies, 5,000 from economic regeneration within existing companies already located in Kent, and 6,000 from established companies moving into the area for the first time.

"The inflow into this area will continue as more companies based in and around London, where an overheating economy has caused property prices and rentals to rocket, begin to look for cheaper accommodation.

"Today, an acre in the London Docklands will cost around £5m and £1.5m to £2m along the M1 and M4 corridors north and west of London. In contrast land in North Kent costs £350-£700,000 an acre.

"Similarly rented property costs around £40 per sq ft in London and £20 in the peripheries while in North Kent the going rate is more like £12 to £15 per sq ft.

"Kent has 25,000 commuters going to work in London. In the long-term, our intention is to employ them, thereby removing the congestion on the routes to London and encouraging them to spend their money here on the local economy," Mr Holmwood adds.

Boris Sedacca

INDUSTRY

Adding strength to diversity

THE CHANNEL Tunnel is just one of several developments which will have a major impact on the economy of the most diverse of the counties in south east England.

The geographical proximity of Kent to the Continent makes it the natural jumping off ground for Europe, hence the added importance to the county of the completion of the internal European market in 1992, as well as the opening of the Tunnel planned for the following year.

The western part of Kent, however, is just as naturally an extension of the expanding London economy. Add to this the impact of the completion of the M25, which overnight made Kent much more accessible to other parts of the country, and it can be seen that within a relatively short space of time, the mix of favourable factors could transform the Kent economy from being one of the slowest growing in the South East to one of the fastest.

Expansion at Gillingham Business Park: Ambley Green (above) is now under construction

According to one recent study of the impact of the Channel Tunnel on the county economy, Kent could experience an increase of the order of 30,000 jobs over the next decade. This contrasts with a decline in employment in Kent of 1.5 per cent between 1981-84.

But, so far, the strength of the national economy has probably been more influential in spurring recovery in Kent than any improvements to the infrastructure, planned or completed. The challenge of the future is to make sure that this recovery is underpinned by an environment which is adaptable and welcomes change.

Kent has a diverse economy, which makes it untypical of the South Eastern region. Manufacturing is concentrated along the northern strip of the county along the Thames and out to Sheerness. The east of the county is mixed, with transport and distribution services based on the Channel ports, tourism, and Kent's last remaining working coal mine at Betteshangar, near Deal. In their heyday in the late 1950s, four Kent collieries employed over 7,000. The figure is down to 700, and it is rumoured that the last mine may soon be closed.

The middle and south west of the county are more typical of the South East, with administrative, professional, banking and insurance services.

Industry in North Kent and the Medway towns has gone through some of the structural changes more associated with the Midlands and North of England. Jobs in the paper and board industry declined from 20,000 in 1974 to 11,000 a decade later. The cement industry has contracted sharply, and numbers employed in the engineering industry likewise have dropped significantly. Added to these losses of traditional jobs was the closure of the 400 year old naval dockyard in Chatham in 1984. Over 7,000 jobs disappeared in the space of three years between the announcement and final closure.

But manufacturing industry remains a major employer in the area. The names of just a few – GEC, Lucas CAV, Pfizer, Petbow – indicate the range of activity. Engineering has emerged from the recession leaner and more competitive, and essentially a survivor.

New entrants to the Kent scene include the German company Knauf, which is building a £30m plasterboard manufacturing plant on a 35 acre greenfield site near Sittingbourne, and Japanese-owned Fuji Seal, which has located its European headquarters in the Gillingham Business Park.

Fuji Seal is the first Japanese company in the county. The Kent Economic Development Board, set up by Kent County Council at the height of the recession to attract newcomers to the county and to stimulate the development of local companies, is confident that Kent will prove increasingly attractive to overseas investors, particularly in the light of the Channel Tunnel.

Mr Robert Emerson, managing director of the Board, said: "There has been a lot more decision taking in the last six months by companies. We are talking to a number of Continental companies, as well as from other parts of the UK. They view a location in Kent in a defensive vein, given the increased interest that Continental companies are expected to show in the UK market as 1992 approaches."

Kent must have the sites available if it is to succeed in capturing such investment. A big step in this direction was the designation by the Government in 1984 of 310 acres of north west Kent as an Enterprise Zone, following pressure from the local councils for help to enable them to diversify their economic base. This was topped up in 1986 with an additional 60 acres to include part of the former naval dockyard, for which English Estates was given management responsibility for its development.

Much of the enterprise zone has gone extremely well, the tax and rates advantages encouraging developers and occupiers into the area, while improvements in access to the sites have been made a priority. Unemployment in the Medway area has fallen dramatically as industry has picked up and newcomers have arrived in the enterprise zone business and industrial parks. There could be shortages of labour emerging even here and elsewhere in Kent. But about 25,000 of the Medway towns inhabitants commute to London for their livelihood. Many would undoubtedly prefer to work locally if the jobs were there and were sufficiently well-paid.

Further west, Dartford has developed as a major industrial area with the completion of the M25. Work has started on the Dartford bridge across the Thames, which will add to the locational attractions of the area and further stimulate the development of the eastern Thames corridor in Kent and Essex.

In East Kent, there are plans to build a new 100 acre business park in the Thanet area which it is hoped will attract investment in industrial and leisure developments – this is the area where unemployment continues to be much higher than most parts of South East England.

Ashford has earmarked sites, including that for the Science Park which will be in association with Kent University. West Malling, just outside Maidstone, is a 515-acre site which the county council proposes to develop with Rouse & Associates, the American group. It is hoped that outline planning permission will be gained later this year. High tech industrial/commercial units, a hotel, housing are all planned in what would be a major development in the South East.

Much of Kent has exciting economic prospects. But there are real employment problem areas in north east Kent, countered by developing skill shortages in other parts of the county.

Hazel Duffy

Paul Cheeseright examines the commercial property market

Elements of uncertainty

PROPERTY DEVELOPERS look at Kent with some enthusiasm. If any county is likely to benefit from the completion of Eurotunnel, then it should be Kent. What had been a rather sluggish area should become more lively. The demand for space is bound to increase.

Unfortunately for the developers and fortunately for some of the residents, as the latter would see it, it is not quite as simple as that. Many of the planning arguments for which Berkshire has become famous are equally applicable to Kent. And they all revolve on the dispute of reconciling development with the environment.

And, in any case, it is difficult to speak of Kent in a single breath. It is not one but several markets.

The Bromley area is the major South East office location but is influenced as much by the M25 as anything else. The Western side of the county is constrained by Green Belt considerations. The Medway towns of North Kent are working out a new property vocation after the departure of naval dockyards and traditional heavy industry. The Ashford area, singled out as a focal point for growth, is a focus for activity inspired by Eurotunnel.

Even without the prospect of Eurotunnel, however, rents and land values have been increasing as part of a wider national trend. The process might have come to Kent a bit later than, say, areas to the west of London. But the county is now caught up in the process which has seen property interest moving eastwards.

As Paul Appelt of Walter & Randall, the North Kent chartered surveyors has noted, there are likely to be localised effects from Eurotunnel, "but there has been, and still is, a general boom taking place over most of Kent that has very little to do with the tunnel."

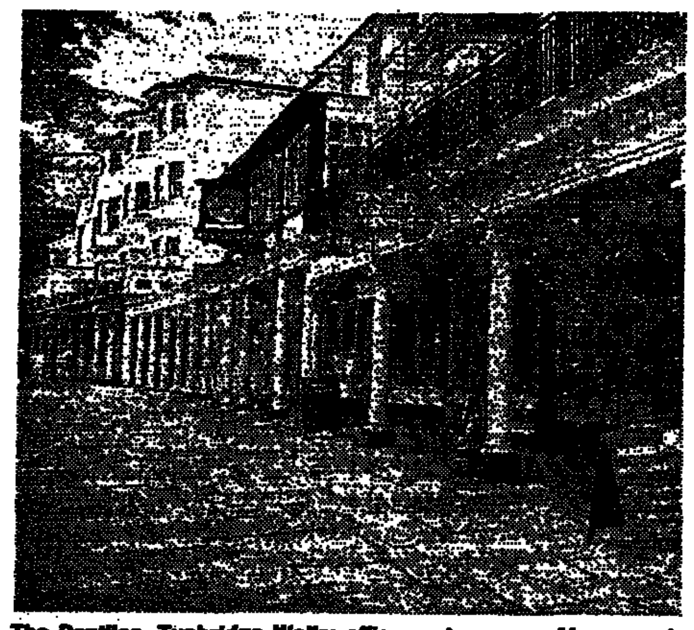
This has partly come about because of the completion of the M25, which provides a motorway link between the county and the national network, and has been encouraged by the likely improvement of other parts of the infrastructure. That involves not only Eurotunnel but also the Dartford Bridge, construction of which has just started, and the perennial hopes of an East London River Crossing.

This property interest has come at a time when supplies of office accommodation have generally been tight. In Bromley, for example, Knight Frank and Rutley, chartered surveyors, noted that there is little new space likely to become available until 1990, but that, at the same time, the growth in rents has been limited, so that the top prices have been around £11.25 a square foot.

In Tonbridge and Tunbridge Wells, according to Jones Lang Wootton, chartered surveyors, office rents surged 44 per cent in the year to last March, reaching £13.00 a square foot. In Maidstone the rise was 33.3 per cent to £10.00 a square foot.

The office market, however, has lacked the leavening of a developing business park sector. Plans for a new park near Dartford were thrown out by Mr Nicholas Ridley, the Environment Secretary, on Green Belt considerations. West Kent equally is ruled out as business park area for the same reason.

Development of this form of accommodation is thus likely to be dependent on three factors. One is the creation of B1 space (the category of space listed in the new Use Classes Order to denote general business accommodation) in the Enterprise Zones of North Kent, the subject of an accompanying article. The second is the future of a planned park at West Malling where the Rouse Company of the US has been chosen as developer by the Kent County Council and the third is the future of Ashford.



The Pantiles, Tunbridge Wells: office rents are up 44 per cent

Ashford has become the centre of property interest in Kent. It has also become the centre where planning tensions have reached a high pitch. For the Kent County Council, the town's situation the passenger terminal for Eurotunnel is a convenient catalyst for bringing about what has long been envisaged: the development of a focal point of economic growth in the east of the county.

Local politicians have been less enthusiastic and the argument is being waged through the medium of structure plans and local development plans. Both Kent structure plan amendments and a new development plan for Ashford are winding their way through the consultation procedures.

Until they have been completed the future of a plethora of proposals not only for business parks, but for warehousing, retail, leisure and residential property remains uncertain. It seems likely, however, that most of the major developments planned to exploit Eurotunnel will be unfinished at the time of opening, even if eventually they obtain planning consent.

There is a further element of uncertainty for the developers in the lack of definition by British Rail about plans for a new track, and if there is to be a new track, where it will be.

But none of this has prevented companies like Northern England Development Associates, Tilbury Group, Mountleigh and Rosehaugh from actively seeking land acquisitions. Both NEDA, in association with Imry Merchant Developers, and Tilbury plan extensive business accommodation. Their plans also contain a substantial retail element.

Ashford, like other towns in the county, has attracted plans from developers for new central shopping centres and there is a proposal from Henry Lax for a 300,000 square feet project.

Elsewhere, Capital and Counties is working on a new centre in Bromley, MEPC is active in Tunbridge Wells, Burton Property Trust will finish a Dartford scheme in 1989 and Specialty Shops and Ladbroke City and County have done a scheme in Maidstone.

As an indication of the pressure from retailers for new space, Debenham Tewson and Chinnocks, in a recent national survey of shop rents, noted that in Canterbury, Zone A rents moved up to £100 a square foot this year from £75 in 1987.

This degree of activity in the town centres is at least one reason why there has been so much controversy about proposals for major centres out-of-town. ARC Properties had plans for a centre near Maidstone thrown out by Mr Ridley on the grounds that public amenities and agricultural land would be lost. Kent County Council has rejected Trafalgar House plans for another centre at Leybourne Grange, also near Maidstone. On the other hand Asda has been more successful.

What is going on here is a running dispute between developers and the green lobby. Local authority views vary according to the proposal. The main focus of contention has now moved to two proposals which reflect the importance of the M25.

The first is the Blue Circle Industries and Shearwater plan for a 1.25m square feet retail and leisure complex on disused quarry land outside Dartford. This has the support of the Dartford Borough Council but has been called in by Mr Ridley. The second is the Prudential scheme for 1.05m square feet of retail and leisure facilities in the Green Belt near Orpington. Bitterly opposed by the Bromley Borough Council, the plan will be the subject of a public enquiry.

RESIDENTIAL PROPERTY

Tunnel adds to price surge

FOR A mere £550,000, the price of a luxury flat in Chelsea, the seeker after space and convenience can buy Wichling Hall in Kent.

A grand country house dating back to the 1760s, Wichling Hall has tennis courts that once provided practice facilities for Virginia Wade. It has six bedrooms, three bathrooms, four acres of immaculate gardens and an avenue of lime trees leading to the imposing front door. It also boasts stables and hay stores.

This haven is only 15 miles from Ashford, where the international rail terminal for the Channel Tunnel will be built - bringing the house within 90 minutes of Paris.

By the time the tunnel is due to open in 1993, Wichling Hall may well be fetching three times the present asking price. Residential property prices in Kent are enjoying a boom.

In the first six months of this year, prices in East Kent rose a staggering 26.7 per cent according to GA Property Services, the largest estate agents in the area who produce regular surveys of property prices.

Mid Kent was not far behind, with a rise of 19.9 per cent, while North Kent prices rose on average by 13.9 per cent.

The variations reflect the contrasts of Kent, where it is still possible to buy a Victorian terraced house by the sea in Dover for £45,500. The same property would cost £76,000 in leafy Cranbrook or £79,000 in Sevenoaks, which is largely a commuter town.

There are many factors behind the property boom. Mr Bill Wilkie of GA Property Services thinks the Channel Tunnel is one of the most important influences, while Mr Tim Byles, head of economic development at Kent County Council, attributes it to less glamorous developments like the recent economic and jobs boom.

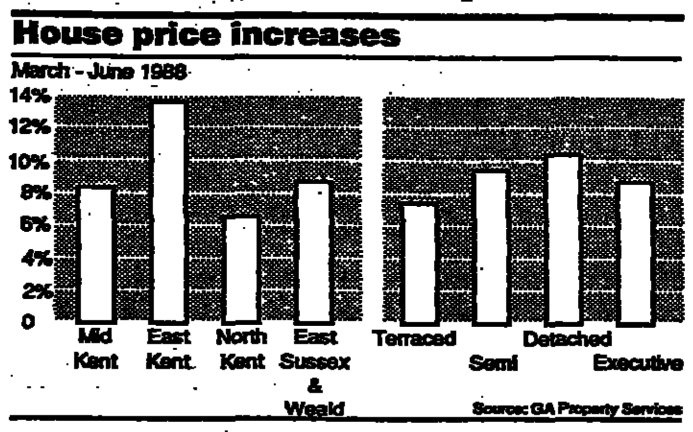
There is also the general rise in the South East which arrived late in Kent, where property is still regarded as relatively cheap compared with the rest of the region. And despite the difficulties of rail travel, Kent is also growing attractions as a commuter county.

One fifth of Kent's working population commute to London every day, although they have to travel on some of the oldest rolling stock in the country. Thanet MPs Mr Jonathan Aitken and Mr Roger Gale spent some of the summer parliamentary recess pressing government ministers for major improvements in both rail and road links.

Despite planned and completed infrastructure improvements in anticipation of the Channel Tunnel, Kent's communications problems remain. Mr Wilkie says they have emphasised the existing divisions, which make West Kent more accessible but isolates East Kent from the development boom taking place in the county.

The completion of the M25, the improvements to the M2 and the proposed extension of the M20 to Folkestone all tend to cut off East Kent, he says. And that is reflected in the considerable differences in the price of development land, which is rising very rapidly.

House price increases



Land values in and around Ashford, which is the focus of development in the county, are now around £500,000 an acre; in Maidstone and Canterbury the price is £700,000; in Dartford £750,000 - but in some parts of Thanet it drops to £250,000 an acre.

Most of the construction workers employed on the Channel Tunnel will move on after 1992, and little is being done to provide them with accommodation in a county where less than a fifth of the property is publicly owned. Mr Wilkie anticipates a boom in the private rented sector to accommodate up to 30,000 workers.

About 3,000 people are directly employed on the Channel Tunnel project now, some of them highly paid and with substantial properties in or near London. Mr Wilkie has noticed that a small number of them are buying £100,000 houses in Kent and keeping their main residence in the expectation that both properties will go on rising in value.

So far, they have every reason to think so. Mr Byles points out that Kent is experiencing both an economic and property boom. He says a lot of people are attracted to move to Kent by the growing number of jobs.

The Medway towns of East Kent, the most deprived part of the county, had more than 70,000 out of work when unemployment was at its peak; the total has now halved to about 35,000. The implied new prosperity of the area is reflected in rising house prices with the half year figures confirming the trend in the first quarter.

In March this year, a three-bedroomed semi-detached property in Folkestone cost £70,500, a 21.6 per cent increase in three months. In neighbouring Hythe over the same period, the price of a detached house increased by 20 per cent to £120,000.

The influx of people to the county means increased demand for property. Kent is planning for 55,800 new homes in the 10 years up to 1996 under its recently revised structure plan. Estate agents believe that will not prove to be enough and Mr Byles at county headquarters accepts demand at present is outstripping supply. But the amount of building land available is strictly limited, not least because of London's green belt.

The county wants most of the residential development to take place in the Medway towns, which are beginning to recover from the job losses arising from the closure of the docks but where a second wave is expected as ferry jobs disappear. New jobs created directly or indirectly by the Channel Tunnel are not officially expected to match the ferry job losses.

That view is not shared by Mr John Dresser of Black Horse Agencies' Geering and Colyer, which has Wichling Hall on its books. He thinks industrial and commercial activity will increase with the Channel Tunnel, partly because business in the channel ports is already much brisker.

But he is more cautious about the prospects for residential property.

"The market was buoyant in the first six months of 1988 but we are detecting a quietening down of the market," he says.

Mr Dresser attributes the change largely to the fact that the cost of borrowing has risen because of higher interest rates and to the ending on, August 1, of the double tax relief on mortgages. His view was confirmed last week by the Royal Institution of Chartered Surveyors, which found from a survey of 185 estate agents that demand in the three months to the end of July was slackening in the South East in general, partly because of tax changes, but also because of the holiday season.

Pat Healy

Kevin Brown considers the likely effects of the Channel Tunnel on the county's sea links

Port of Dover prepares to defend its prosperity

KENT MAY be best known as the Garden of England, but it also has a long maritime tradition, centred on Dover, Britain's biggest port, and probably has more ports and harbours than any other county.

Starting on the south shore of the Thames, a tour round the county's ports would pass through parts of the Port of London, the recently established Dartford International Freight Terminal (DIFT), and the Medway ports at Sheerness and Chatham, before reaching the open sea and the ferry ports at Ramsgate, Dover, and Folkestone.

By way of diversion, the visitor might also call in at the small ports of Whitstable and Sandwich, now more famous for their tourist attractions and seafood than their port activities.

Most of these ports have something to fear from the Channel tunnel, due to open in 1993, but the effects will vary depending on the vulnerability of existing services to competition.

For example, the Olau Line ferry service from Sheerness, on the Isle of Sheppey, to Vlissingen, in The Netherlands, will not be in direct competition with the tunnel for traffic.

But both tourists and freight companies may find it cheaper and quicker to make the short tunnel crossing and travel north on the Continent rather than make the long road journey from the M2 at Sittingbourne across the Kingsferry Bridge to Sheppey.

The container trade through DIFT and the Medway ports may also suffer, depending on the impact of the tunnel and the ability of the ports to attract non-tunnel business. On the other hand, the tunnel is unlikely to have much effect on traffic such as break-bulk, general cargo and forest products.

Ramsgate, where port operations are split between the district council and the Finnish-owned Port Ramsgate company, could lose much of its car importing business, which transport commentators say is tailor-made for the tunnel.

The ferry terminal, at Dover — Ashley Ashwood

Sally Line, a sister company of Port Ramsgate, has recently added an extra ship to its Ramsgate fleet, which serves Dunkirk, and shows no sign of wanting to withdraw.

However, its short-sea service will be in direct competition with the tunnel, and the company's fleet of older vessels may suffer by comparison with the fast and modern railway rolling stock.

Folkestone, owned by Sealink Harbours, a subsidiary of Bermuda-based Sea Containers, is likely to suffer severely from the tunnel. The Sealink service to Boulogne is thought unlikely to be able to compete either with the fixed link, or with rationalised ferry services from Dover to Calais.

Most of the concern about the future of the Kent ports has centred on Dover, the busiest roll on, roll off terminal complex in the world, which has already reduced its workforce by around 70 to 950.

The port fought for several years against the tunnel proposals, mostly through the Flexilink consortium of port and ferry operators, and expects to lose a large chunk of its freight and accompanied car traffic, and virtually all foot passengers.

Dover has also suffered heavily from a prolonged dispute between the National Union of Seamen and the local ferries subsidiary of the Peninsular and Oriental Steam Navigation group.

The dispute, which followed major cuts in manning as part of P&O's preparation for competition with the tunnel, will knock £5m off Dover's anticipated turnover of £36m this year, and will probably wipe out forecast profits of £2.8m.

However, the dispute is now effectively over, despite continued small-scale NUS picketing, and both passenger and freight traffic is virtually back to normal.

Dover is in the process of a £70m investment programme intended to streamline roll on roll off capacity, and provide new general cargo facilities, before competition from the tunnel reduces throughput in 1993.

Mr Jonathan Sloggett, Dover's general manager, remains sceptical that cross-Channel traffic will expand sufficiently to keep both the tunnel and the ferry operators in business, and fears a major reduction in ferry services.

His strategy is to use revenue over the next five years to repay the costs of the investment programme, so that Dover will be debt-free by 1993, and in the best possible position to compete.

Meanwhile, the port is examining the possibility of diversification into areas such as property development and yacht marinas, which would probably have to be preceded by privatisation, probably around 1990.

Mr Sloggett points out that, once installed, port assets have a life of around 25 years, and says his strategy would allow Dover to remain in business with as little as a quarter of its current throughput.

The difficulty for all the ferry ports, as they try to plan their response to the tunnel, is trying to forecast how their customers, the ferry companies, will react.

At this stage, five years before the tunnel opens, the best bet is that the only viable seaborne competition would be a combined shuttle service on the high volume Dover/Calais route, using new ships offering high capacity to operators and comprehensive facilities to passengers.

Other routes would probably be unable to compete, although the Belgian Government might be prepared to increase its subsidies to keep the Dover/Zeebrugge services in business.

However, the impact on the ports will be spread over at least five years, and the tunnel will itself stimulate the local economy.

The Kent Impact Study, carried out for the Government, estimated that the net total of lost jobs in the cross-Channel industry could be as little as 500, and was unlikely to be more than 3,800.

Meanwhile, Mr Peter de Savary, the financier, has announced plans for his Highland Participants group to establish a major new container and bulk port at the Isle of Grain, on the Medway, at a projected cost of £55m.

The port would be established on 160 acres of a 1,000-acre site acquired for just £12m from British Petroleum. The site, formerly a BP oil refinery, has a 2,500 feet frontage on the Medway with three deep water jetties.

Mr Geoffrey Parker, Highland's managing director, said the port would have the capacity to handle 500,000 standard containers a year by 1993 - around 10 per cent of existing UK capacity.

AIRPORTS

Expanding for new traffic

KENT HAS two airports, both of which are keen to expand to compete with the major London airports and take advantage of extra traffic generated by the Channel Tunnel.

Kent International Airport, formerly known as Manston, is hoping to attract substantially increased passenger and freight traffic to its improved facilities near Ramsgate.

KIA was given a significant boost earlier this year when an agreement was concluded with the Ministry of Defence allowing for development of civilian aviation at Manston.

Under the agreement, Manston remains a Royal Air Force base, but KIA has taken responsibility for all ground handling of civil aircraft.

KIA has leased part of the Manston side, and is developing a new passenger terminal, together with freight warehouses and aircraft servicing facilities.

KIA believes that many of Kent's 1.5m people would welcome the opportunity to begin their holiday or business flights from within the county, rather than driving to Gatwick, Heathrow or Luton.

The airfield has long been a diversion base for civil airlines in bad weather, and boasts a 9,000 ft runway with parking areas for up to six Boeing 737 or similar aircraft.

The development plan drawn up by KIA provides for a passenger terminal offering up to 25,000 square feet of space, capable of accommodating up to 500 passengers at a time. This means that a mix of airliners from Boeing 737s to Boeing 767s could be handled without congestion.

KIA already has a throughput of more than 20,000 tons of air cargo per year, and expects a new 30,000 square feet freight terminal to attract significant extra business.

The strategy is to try to attract both a share of the projected growth in the air freight industry, and to benefit from the effects of growing congestion in the air freight market at Heathrow and Gatwick.

Lydd Airport, on Romney Marsh, is seeking to develop a number of specialist markets, including small parcels business.

The idea is that the airport would develop as a centre for air express companies, which would fly in cargoes which could be sorted on site before being dispatched through the Channel tunnel for distribution throughout Europe.

Lydd also hopes to promote itself as the arrival point for inward charter flights carrying groups of tourists. One survey identified potential for 389,000 passengers per year, rising to 2.5m per year by the end of the century.

Kevin Brown

A decision on the rail link with the Tunnel must wait till 1990

BR accused of running late

IT IS likely to be at least two years before the people of Kent know precisely what the effect of the Channel Tunnel is likely to be on their rail services.

In the short term, British Rail plans to spend £580m on Channel Tunnel related rolling stock, and improvements to the existing line from Waterloo to the tunnel portal at Cheriton.

There are also plans for an international terminal at Ashford, where some through trains will connect with other UK services. But the board will not take a decision until 1990 at the earliest on whether to go ahead with one of four options for a dedicated high speed link for 180 mph trains.

BR has been heavily criticised by Eurotunnel, the consortium which will operate the fixed link, for failing to capitalise on the opportunities for immediate 180 mph running when the tunnel opens in 1993.

Eurotunnel points out that SNCF, the French state-owned railway authority, is spending around £1.2bn on a high speed line from Paris to Lille, with a spur to the tunnel, which will be ready when the first tunnel traffic starts rolling.

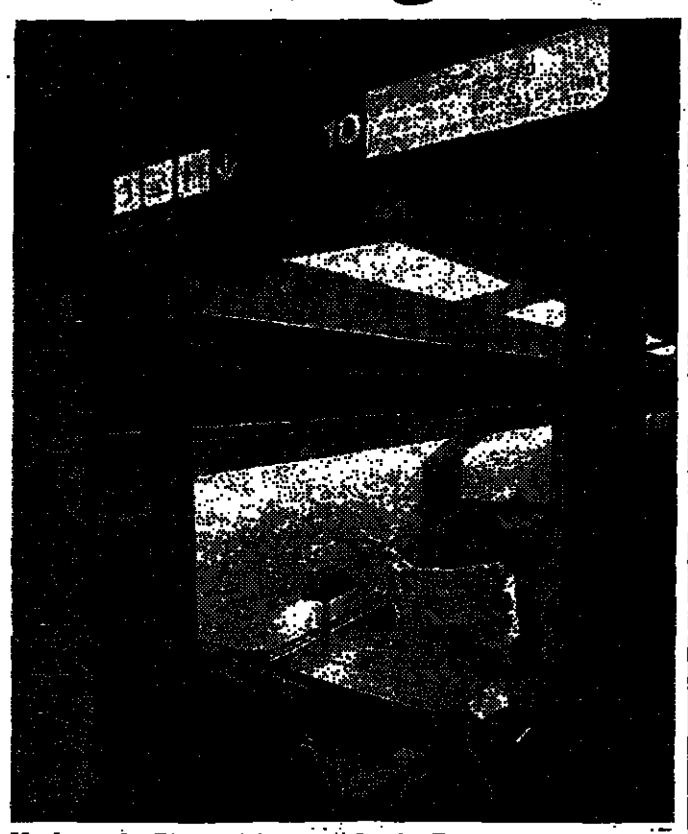
The effect of this is likely to be that trains from Paris will travel at an average of 145 mph to the mouth of the tunnel, but at an average speed of only 60 mph from Cheriton to London.

Sir Robert Reid, BR chairman, has pointed out that the English section of the journey is much shorter than the French section, and that the environmental problems of constructing a new line are greater in densely populated Kent.

Mr John Welsby, BR's board member for the Channel Tunnel, has also sought to allay fears by pointing out that the corporation's plans to upgrade existing track would allow trains to leave Waterloo at a rate equivalent to one Jumbo jet leaving every 10 minutes.

BR insists that its existing lines will give it plenty of capacity to cope with tunnel-related traffic for at least five years. However, this assertion relies heavily on the results of the corporation's own traffic forecasting, which is regarded as conservative by some observers.

BR figures suggest that the number of passengers travelling through the tunnel in 1993 will be 13.4m, rising to 17.4m by 2003. This would avoid capacity problems until the end of 1997.



Mock-up of a first class carriage for the Tunnel route to Europe

By contrast, estimates produced for Eurotunnel suggest that initial traffic will be 18.5m passengers, rising to 21.4m over the same period. This would cause capacity problems as early as 1994.

Dr Roger Vickerman, director of Kent University's Channel Tunnel Research Unit, says the figures should be treated with caution, since they are based on different research methods, and are not directly compatible.

It also has to be remembered that it is in Eurotunnel's legitimate commercial interests to exaggerate probable demand in order to put pressure on the Government and BR to finance improved rail links.

However, Dr Vickerman says that even when these points are taken into account, the higher forecasts are likely to be nearer the mark than the lower ones.

"BR's forecasts are based on very standard methodology, and let's face it they have almost always been wrong on the past on traffic estimates. They have a long history of underestimating potential traffic," he says.

"They are being very ostrich-like about it. They don't seem to have taken on board the possibility of attracting or creating new markets as well as taking business from the airlines and ferries.

"Of course, they have to be able to justify any investment commercially, but that comes back to how you do the figures."

It is possible, though unlikely, that BR's reluctance to invest in high speed capacity will provide a gap for a private sector solution.

Trafalgar House, which is part of the consortium which is building the tunnel, has indicated that it is studying this possibility, but it is not clear how a private line would work, since the high speed rolling

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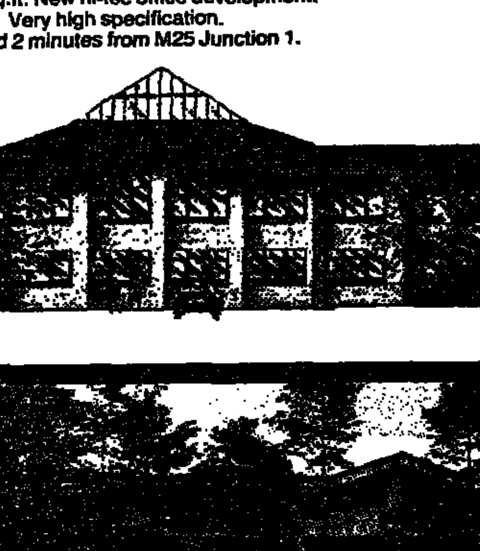

Pat Healy finds Kent farmers and growers in unhappy mood

Grinding of teeth as well as corn

KENT FARMERS are gathering in their harvests with a sense of relief that crop failures in the United States appear to have averted the seriously depressed cereal prices they had been expecting. But all is not happy in the Garden of England.

There is a widespread feeling among the declining number of full-time farmers in Kent that they are blamed unfairly for the excesses of the food mountains of Europe and that there is no longer any understanding of their difficulties at the highest levels.

"I can't believe any of the new breed in the Cabinet have much sympathy towards farmers," says Mr Jack Ward, assistant county secretary of the local National Farmers' Union.

Some of the reasons are clearly not peculiar to Kent, but the effects of measures by the European Community to reduce surpluses. The results have included lower production, reduced farmers' incomes and an increase in the numbers leaving the land.

Last year, of Kent's 5,080 farmers, only 3830 were full time, and the county has only 270 dairy farmers left. Farmers' incomes dropped by an average of 4 per cent in real terms between 1986 and 1987 and there are fears that new measures will continue the fall.

One of Kent's best known crops has already suffered a "major disaster" because of Britain's membership of the EC. The legality of the Hops Marketing Board was queried by the EC and has now been disbanded. Hops themselves have been badly affected - and these days many of the oast houses you pass when driving down Kent roads are likely to have been converted into accommodation for the expanding tourist trade.

Now resentment is growing among farmers about the tax on cereal production - the co-responsibility levy — which is due to rise in January and is expected to hit intensive livestock feeders' costs.

In Kent, 38 per cent of the land is in the top two grades expected to remain in agricultural use, and more than 92,000 hectares are in cereal production. Very few Kent farmers want to use the "set aside" payments being offered by the Ministry of Agriculture for reducing their cereal acreage.

Cynical growers, according to the Kent NFU, are congratulating the British Government for introducing a scheme "so inferior to that available within the rest of the EC that the UK cereal acreage will remain virtually unchanged."

But what is changing is the attraction of farming as a career, reflected in the declining labour force. In Kent, 22,342 people, including 131 youth trainees, work in agriculture - less than half the number employed in tourism.

Technological changes are partly to blame - the 300-acre farm run by former NFU county secretary John Jennings used to provide enough work to support 17 families but can now sustain only three. The effects are clear.

Mr Ward says there is already such a shortage of people willing to go on to the land that farmers are looking round for students to fill up the places they have on offer. He forecasts that before long there will be a serious shortage of good agricultural labour because it is no longer an attractive industry to young people.

There are also other warning signs on the horizon because of the development boom in Kent. Ashford, a designated growth area, has taken out more agricultural land than the Channel Tunnel, according to Mr Ward.

Former farms have already provided a 2,000 acre site for a joint shopping, housing and business development and a 600 acre-site for a scenic park. At least one farm in the area is going derelict because of the prospect of selling the land. Ward says one developer has £30m to spend in the area and with farm land fetching £500,000 an acre, it is not surprising, but depressing that farmers should respond that way.

Some farmers, though, are responding to what they see as their "lack of clout" by forming co-operatives. It is already a well established trend in horticulture in Kent, which has more commercial orchards and the largest small fruit crop of any county in Britain.

Probably the largest apple growing cooperative in Britain is established at Canterbury, partly in response to the demands of the public as expressed through food buyers from the supermarket chains. Marks and Spencer, in particular, has made many growers realise that if the product is not the right shape and size people won't buy it. The attitude that they should be left alone to grow what they like is fast disappearing.

The reliance of Kent farmers on crops that have no subsidy has been a factor in the growth of horticultural cooperatives, but so has the competition from the enlarged EC. Some commentators believe that Kent's fruit growers have already implemented what the rest of industry will face in 1992 because they have had to learn to live with the free market. Kent growers think of themselves as toughened and hardened - and some are even managing to take an unexpected advantage of the entry of Spain to the Community.

A number of Kent farmers have gone so far as to buy up "bits of Spain" in order to grow strawberries outside the normal season. Despite the gradually rising standard of living in the newer member states of the EC, they still have significantly lower labour costs. Even so, "it takes a lot of nerve and money and it is a major gamble," Mr Ward notes.

He says the biggest danger from the EC is "that we might get flooded with apples" because parts of Europe have much longer sunshine, more "relaxed" labour legislation, lower safety standards and lower labour costs. The Kent apple crop is below average this year because many orchards were hit by hail damage earlier this year.

Growers are particularly alarmed that the Government is now proposing to cut its own contribution to horticultural research and development at a time when they anticipate greater competition from Europe.

Mr Ward says it is all part of a determination to cut back on agricultural spending and to allow the industry to float and find its own level. Government, he says, is providing no direction, but is expecting it to emerge as a new revitalised industry. No-one knows what form it at will take and, he forecasts, provided the food supply remains good, little interest will be taken. Kent farmers will continue to grind their teeth as well as their corn.

One of Kent's most famous crops - hops: suffering from EC membership

COAL INDUSTRY

Old spoil in new use

IN THE late 1950s, over 7,000 workers were employed at the Kent collieries. Today only one pit, Betteshanger where around 700 people are employed, remains open and British Coal is now faced with the task of bringing some semblance of environmental restoration to the area.

The options are few but the corporation has at least made a start. In June, British Coal announced that 1 million tonnes of spoil from the pit at the old Snowdown colliery, near Aylesham, Kent, are to be used in construction works associated with the Channel Tunnel.

Over the next three years trainloads of spoil will leave the colliery sidings to be delivered to a temporary rail head at Sevington, near Ashford, and then by lorry to the Folkestone terminal for use as bulk sill in the building of embankments and road.

Trains will leave at the rate of up to four a day over the next year, passing through Dover and Folkestone station on route to the Sevington rail head. The scheme has been approved by Kent County Council. Snowdown colliery ceased coal production five years ago. Since 1983 some £23m has been spent on trying to reach new reserves. Shafts have been silled and the winding headgear dismantled. But there still remains about 6 million tonnes of minestone left from almost 70 years of coal production. The material will be carefully removed so that regrading will allow the profile of the tips to be lowered and blend harmoniously with the surroundings, according to British Coal.

Minestone comes from the rocks adjacent to the coal seams, and for many years it has been approved by the Ministry of Transport for road construction. It is also widely used as a bulk sill in a variety of civil engineering projects. Kent was among the first counties to recognise the value of using minestone, and considerably quantities have been used on projects such as Pegwell Bay Hoverport, Sheerness loading areas, Sandwich Coast Protection and for many road schemes.

British Coal is now faced with restoring the environment

More recently, British Coal has been able to persuade Steetley Brick and Tile, one of the largest UK brick makers, to take part of the old disused Tilmanstone Colliery as a site for a new brick works. The profits generated over the next 15 years could be the order £29m, and the works will provide employment for 40 to 50 people.

It will use colliery spoil at the rate of 100,000 tonnes a year. That will meant that the tip at Stilmanstone will be depleted quite rapidly to make it ready for a restoration programme for the area.

"We are talking to Kent County Council about the possibility of using the other section of the Stilmanstone site for a domestic waste disposal project. That will serve the whole of the east Kent area," says Dr. Keith Rainbow, head of Minestone Services at British Coal.

"While a waste disposal site may not sound very attractive, it is in fact essential to the livelihood to Kent Country Council, because they desperately need new sites.

We are talking about purely surface storage. They will reshape the pit to create a void so that they can put their domestic waste into it. There will no underground storage."

British Coal has a policy of using its land only for domestic waste. Hazardous and toxic waste cannot occupy space owned by British Coal.

"If people start to put such things in our underground void, then it would cause very serious environmental pollution, discharges into the water courses, and so on.

"We are very careful to see that this does not happen. We have a national policy whereby underground mine working will not be used by other companies for waste disposal," Mr Rainbow adds.

Boris Sedacca

Running late

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stock will be owned jointly by BR, SNCF, and SNCB of Belgium.

It is more likely that BR will be prevailed upon to speed up a decision on its four options, so that its own dedicated route could be built more quickly than planned.

However, BR says planning, development and construction would take at least eight years, so that such a line could not open until 1996 even if a decision was taken today.

In practice, it could take even longer. BR will seek to proceed by way of a private Bill in Parliament, which would avoid lengthy planning inquiries.

But Kent MPs would almost certainly feel obliged to mount a strong campaign in defence of local communities on the chosen route. There is also strong environmental pressure from organisations such as the Weald of Kent Preservation Society and the East Ashford Rural Trust.

BR puts the cost of a new link at between £750m and £1,200m. The route options it has put forward are:

- Sidcup, Longfield, Snodland, Hollingbourne,Charing and north of Ashford.
- Bromley, Swanley, Longfield, Snodland, Hollingbourne, Charing and north of Ashford.
- Bromley, Swanley, Borough Green, Marden Pluckley, and south of Ashford.
- An upgraded version of the existing boat train route via Orpington, Sevenoaks and Tonbridge. BR says it is unlikely to pursue this route because of cost and longer journey times.

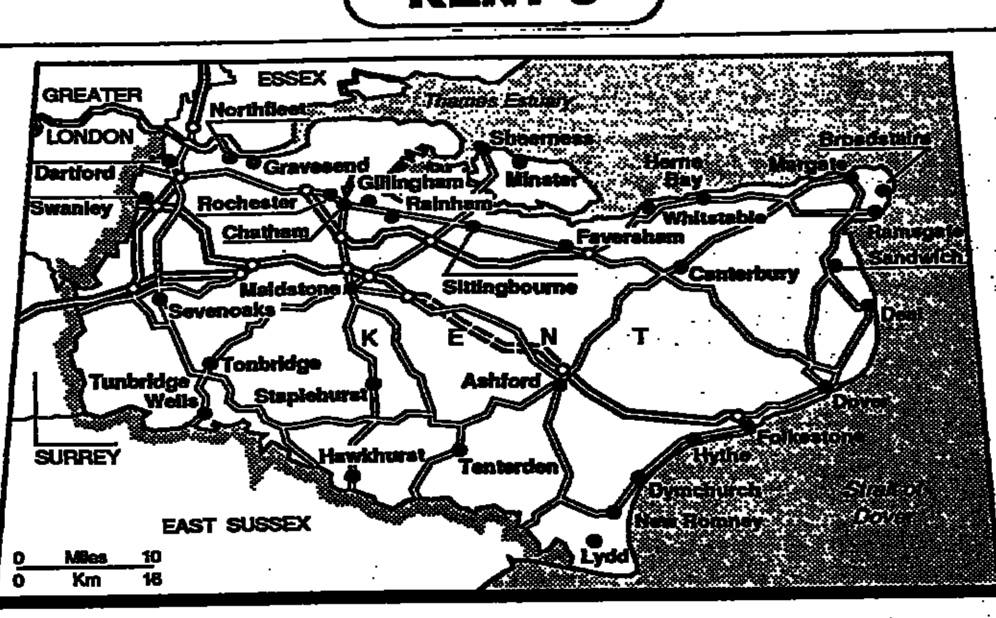
None of this will bring much relief to commuters on BR's notorious Southern Region services into Victoria, London Bridge, Cannon Street, Waterloo and Charing Cross.

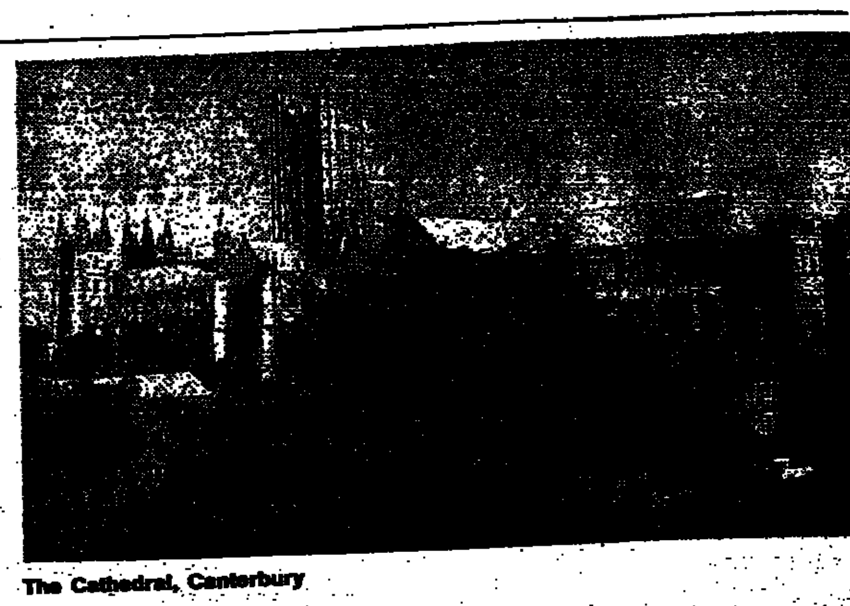
The Central Transport Consultative Committee, the statutory British Rail watchdog, recently included the North Kent line as one of a number of BR services on which overcrowding had become unacceptable, and other lines are almost as bad.

BR claims that the position will improve when its new Networker stock is introduced in the early 1990s, but even these trains will not help some of the longer distance commuters.

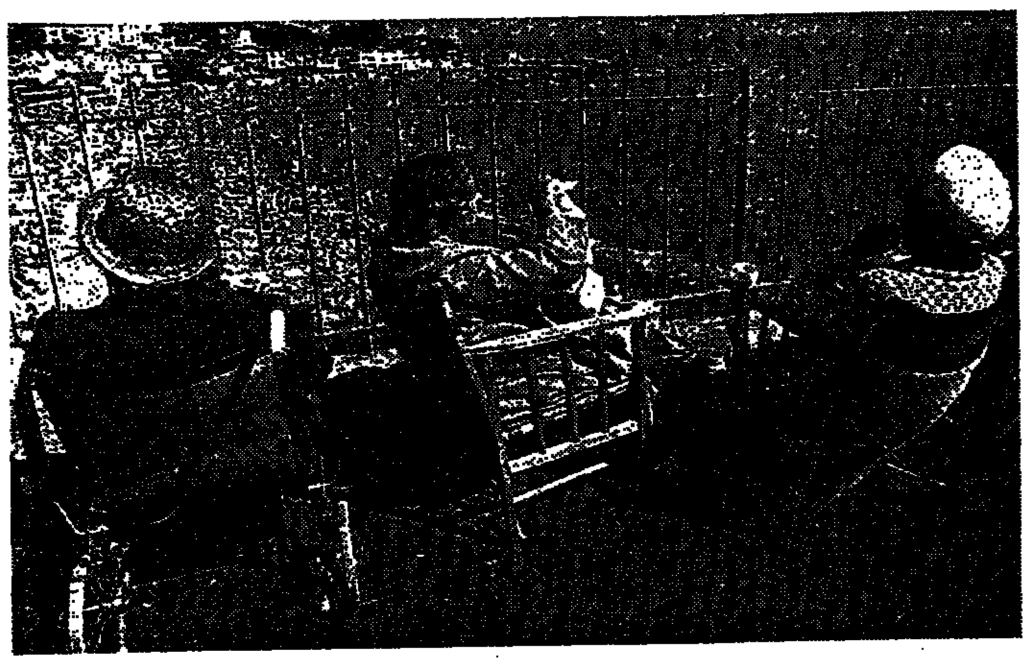
Kevin Brown

Knole Park, Sevenoaks





The Cathedral, Canterbury



The seaside attractions of Kent: (left) sunbathing in Broadstairs; (above) the imposing grandeur of Dover Castle; and (right) fishing from Dover pier.

Pat Healy explains the county's efforts to boost its tourism

Turn right to a rich heritage

By 1993, the Tunnel and associated road developments are expected to bring up to 30m Europeans within three hours drive of Britain

EVERY SUMMER, early morning radio broadcasts warn motorists intending to board ferries to Europe to allow extra time for their journeys because the roads are packed.

The warnings continue despite recent improvements to the M2 and M20, the motorways for Dover and Folkestone, Britain's busiest Channel ports. Access is still a big obstacle to developing tourism in Kent.

Alan Coppin of Peat Marwick McLintock, the management consultants brought in to help develop a new tourist initiative for Dover, knows the problems well because he lives in Kent and commutes daily to London.

He points out that the completion of the M25 and the other planned and completed road improvements make West Kent easier to reach, but do not help East Kent which contains most of the county's tourist accommodation. More than 10 per cent of the working population in East Kent have jobs connected with tourism, twice the proportion in West Kent.

Rail links leave much to be desired, too. The fastest train takes 1½ hours to travel the 70 miles from London to Dover - only 15 minutes less than the journey time to York, which is three times the distance. There are two trains an hour from Victoria, and one involves a change.

Nevertheless, aggressive marketing has attracted 200,000 people a year to the Bemboms theme park at Margate in East Kent, so poor communications are not an insuperable barrier.

Tourism is a major industry in Kent, employing 50,000 people and contributing more than £340m a year to the local economy. Of the total, 40 per cent comes from overseas visitors who stay an average of 6.6 nights and spend an average of £160 each.

Every year 4m people spend at least one night somewhere in Kent, which thrives on its image as the "Garden of England". Half of the visitors are from the rest of Britain and threequarters stay in the traditional seaside resorts of East Kent.

But tourism faces an enormous challenge because of the Channel Tunnel. By 1993, the tunnel and the road developments associated with it on the Continental side are expected to bring up to 30m Europeans within three hours drive of Britain. Although London is assumed to be the main focus for the extra tourist traffic this will generate, Kent is hoping to divert a large proportion of it to spend some time within the county. There are considerable problems.

Much of the county's tourist accommodation is based on the patterns created by day-trippers from London 30 or 40 years ago, rather than the more sophisticated tastes of European travellers from both home and abroad.

Nearly half of the tourist accommodation in East Kent lacks *en suite* facilities, and the county is well aware that there is an urgent need to upgrade accommodation. Persuading private hoteliers and guest house owners to do so is difficult: one proudly introduced a local councillor to what he thought was an upgraded bedroom. He had installed a lavatory in the bay window of the room. There was no screen.

As well as access and accommodation problems, Kent also faces strong competition from France. Enormous sums are being spent on new tourist attractions in the Nord region which has the second highest unemployment rate of any French region and therefore faces political pressure to develop new industries and jobs. Unlike Kent, the Nord region can call on considerable funds for development from the French Government and the EEC.

Proposed developments include a national sea centre at Boulogne, a leisure park on theme of "the wind" close to the tunnel, and a pirates theme park at Dunkirk. Kent needs similar initiatives if it is not to lose out.

"What we need," says Tim Byles, head of the economic development unit at Kent County Council, "is to give people a reason to turn right at Dover."

The need to do so is clear. Dover now receives only 225,000 to 250,000 visitors each year, although 14m passengers travel through the port, giving the town "disturbingly little benefit", as the British Tourist Authority put it in March, in a report assessing the tourist impact of the tunnel.

At least 20 per cent of all foreign visitors to the UK arrive via Kent ports, most of them coming through Dover. But of 17m foreign visitors in 1986, only 640,000 stayed in Kent.

Among the ideas canvassed by the six East Kent district councils and the tourism sub group of the county council last year was an attraction on the scale of the European Disneyland planned for the outskirts of Paris. That has now been rejected. The BTA said it would be "virtually impossible to duplicate in the UK" because "the available market is just too small."

But there are plans to develop a heritage centre in Dover on the lines of the Jorvik Viking Centre in York. It would form part of a "heritage trail" through Kent, including the new Pilgrims Way at Canterbury which attracted 300,000 in its first year of operation, and leading on to a £900,000 development in the Pantiles in Tunbridge Wells, due to open in 1990. The latter will take as its theme the Regency dandy Beau Nash, around whom there will be an exhibition entitled "Beau Nash Reminisces: a Day at the Wells."

Dover Castle is being upgraded and will form part of the big celebrations being planned for the 50th anniversary of D-Day. Another important war time base — West Malling airport which was vital to the Battle of Britain — will not be available, however. A business park is being developed on a 600 acre site there.

There are also possibilities for developments of the Wellington dock area and an innovative attraction based on Dover gaol. But proposals for the future of Dover will not be finalised until later this year. Although efforts by Dover district council to upgrade the castle and improve the town have been acknowledged, there is still some scepticism about its future.

The BTA commented: "It is going to be a long, hard haul to upgrade to heritage town status what is a rather workaday place; to change ingrained perceptions of Dover in the domestic market; or to persuade incoming tunnel users that they should back-track along the coast."

Perhaps, but the will to do so is there. Kent County Council is proposing to upgrade a hotel in the Thanet district as a demonstration of what can be done, and offering loans to finance similar improvements. And there have been dramatic improvements in recent years in the standard of restaurants of the kind that will attract the growing trade of tourists spending short breaks in Kent.

A tunnel in the Garden

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mer, is already planning trade delegations and will shortly receive a delegation from Lille.

Evidence of the expected attractions of the business environment in Kent comes from the number of business consultancies moving in. Some accounting firms have been there for some time, but it is noticeable that they are now gearing up their activities in preparation for the expected growth in start-ups, and helping smaller companies to expand.

If Kent has its way — if it can cater for the changes so that it benefits while keeping its traditional areas intact — the achievement will have been substantial. Its leaders know that it is poised delicately between success and failure. The next few years will be watched closely, if not enviously, by the rest of Britain and the Continent.